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NEWS SUMMARY

GENERAL

Wilson sanction claims attacked

Lord Thomson, former Commonwealth Secretary, last night challenged Sir Harold Wilson's version of the Labour Government's handling of Rhodesian sanctions-busting in 1969.

In a Lords speech during a debate on the renewal of the sanctions order, he angrily rejected the suggestion that he (Lord Thomson) had been unaware of the implications of the "swap arrangement" revealed at a meeting with British oil company chiefs.

It had been "deeply disturbing" to hear Sir Harold state that he had never seen the Foreign Office record of the meeting that had been sent to him. Back and Page 10. Politics Today, Page 32

Centre Point

More than half of Centre Point, Harry Hyams' 32-storey London office tower, may soon be let—13 years after the block's completion. Letting agents D. E. and J. Levy confirm negotiations with a prospective tenant are well advanced. Back and Page 24

Kaunda claim

Zambian President Kenneth Kaunda has blamed the white minorities in Rhodesia and South Africa for a wave of racial unrest that swept through Lusaka earlier this week.

Poison sugar sold

About 250 bags of sugar from a batch believed to have been contaminated by rat poison have been sold to the public, according to health experts in York. Traces of poison were found near the production line of the British Sugar Corporation in the city.

Bread strike

Union leaders involved in the nationwide bread strike said that support for the action was still strong, despite a claim by Mr. Michael Rogers, director of the Federation of Bakers, that employees were returning to work. Page 9

Soldier hurt

A soldier was seriously injured in a bomb attack on an Army foot patrol on the outskirts of the South Armagh border village of Crossmaglen.

Kooken remand

American secretary Alvada Kooken was remanded in custody until next Thursday by London magistrates, accused of the murder of Miss Margaret Philbin, found dying in a South Kensington street on Sunday.

Safety review

A thorough safety review is underway at the nuclear complex at Windscale, Cumbria, according to Energy Secretary Mr. Anthony Wedgwood Benn. The assurance follows the threat of an explosion there last week.

Kidnap victim

The 36-year-old daughter of Pedro Domecq, a member of the sherry family company, has been kidnapped in Mexico City for £3m ransom.

Soccer fans fined

Seven Watford soccer supporters arrested during the League Cup tie at Exeter were fined a total of £2,400 after pleading guilty to using offensive behaviour.

Briefly . . .

Actress Vanessa Redgrave, her actor brother Corin and four other members of the Workers' Revolutionary Party lost their High Court libel action against the Observer.

West Midlands police are seeking two men who stole £140,000 worth of diamonds from the boot of a car parked in Hockley, Birmingham.

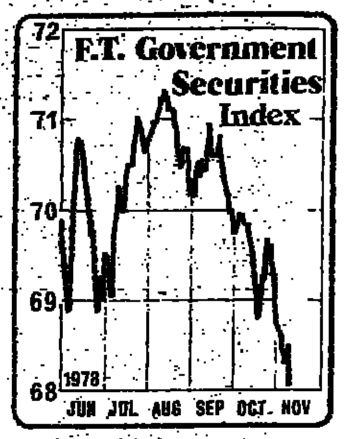
Bomb explosion damaged the tomb of French writer Marcel Proust in the Pere Lachaise cemetery in Paris.

Belgian man has beaten his own world record by pulling train coaches weighing 126.3 tons for four feet—with his teeth.

BUSINESS

Gilts react; Gold falls $\$9\frac{1}{4}$

● GILTS reacted sharply to the increase in MLR, and longs fell almost a point, and shorts up to ½. The Government Securities index fell 0.57 to a low for the year of 68.06.



● GOLD fell $\$9\frac{1}{4}$ to $\$210\frac{1}{2}$ in London.

● EQUITIES sustained falls in leading issues and the FT ordinary index closed 2.7 down at 471.7. In Hong Kong, rising interest rates depressed the market and the Hang Seng index fell 34.97 to 565.41 in very heavy selling.

● STERLING fell 25 points to $1.9725, its index rising to 62.3 (62.2). The dollar's depreciation narrowed to 10.9 per cent (10.1).

● WALL STREET was 2.16 up at 809.77 just before the close.

● NEW MONEY raised on the Stock Exchange in the first ten months of this year was 47 per cent down on the same period of 1977 at £9.58bn (£16.41bn). Page 9

● EEC is not to proceed against leading man-made fibre producers in Europe for operating an illegal cartel but they have been refused permission to take market-sharing steps they claim are needed to avoid a prices war. Back Page

● EEC LEGAL action against the UK for not introducing the use of the tachograph in lorry cabs will be heard in Luxembourg next month. Back Page

● OIL EXPLORATION in the North Sea must be stepped up, following the dramatic fall in activity this year, Dr. Dickson Mabon said. Back and Page 22

● BP has made the first payment of petroleum revenue tax to the Government, with a contribution of £176m for BP's Forties Field. Page 8

● BL is having serious difficulty staffing its engineering departments, the company's chairman has warned (Back Page). BL workers at Cowley have rejected the company's latest pay offer. At Vauxhall 26,000 manual workers are closer to accepting an 8.5 per cent pay offer, but a strike by skilled workers, called for tonight, could affect car production (Page 9)

Provisional estimates have shown that car output last month slumped more than 27 per cent from the September level, due largely to the Ford strike.

● UK CHEMICAL industry's gross sales are expected to reach £15.5bn this year, helped by a 3 per cent rise in production. Exports are also expected to show an 8 per cent increase. Page 9

● SMALL FIRMS job subsidy is to be extended next year to apply to small manufacturing companies anywhere in the UK. Page 10

● CLARKE CHAPMAN has been awarded £120m worth of contracts by the CEGB for the design and supply of four boilers for two second-generation advanced gas-cooled reactors to be ordered in 1980. Page 7

COMPANIES

● RCF HOLDINGS pretax profits for the year to July 31 were 14.7 per cent up at £0.64m (£556,043) on turnover of £15.77m. Page 25

● INTERNATIONAL Telephone and Telegraph income for the third quarter of 1978 fell from $150.31m to $130.59m, on sales up from $3.09bn to $3.52bn. Page 29

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Ash Spinning	57	+ 8
Bank of Ireland	393	+ 8
Bradford Prop.	250	+ 5
Mersey Dock Units	38	+ 2½
Philips' Lamps	850	+ 30
Sirdar	98	+ 5
Tarmac	140	+ 5
Thurgar Bardex	22	+ 2
Wardle (B.)	34	+ 2½
Northgate Expln.	390	+ 35
Westfield Minerals	162	+ 20
FALLS		
Treas. 9½pc 1983	£88	— ½
Excheq. 12pc '99-02	£93½	— ½
BAT Inds.	261	— 4
Brown and Jackson	224	— 10
Dawson Intnl.	179	— 5
Edbro	212	— 6
HK and Shanghai	258	— 8
Jardine Matheson	204	— 14
Jenks and Cattell	71	— 9
MEPC	132	— 5
SA Breweries	63	— 4
Wilson Walton	33	— 4
Wolseley-Hughes	198	— 4
Impala Plat.	168	— 12
Malayan Tin	403	— 10
Pahang Cons.	53	— 5
Rustenburg Plat.	91	— 5
Selection Trust	432	— 14

Healey tightens credit squeeze and maintains money supply target

Government raises lending rate to $12\frac{1}{2}$%

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT increased Minimum Lending Rate from 10 to 12½ per cent yesterday, in an unexpectedly severe tightening of the credit squeeze, with the hope of reinforcing the pressures against a resurgence of inflation.

This was followed by the announcement in the Commons by Mr. Denis Healey, the Chancellor, that the present target of 8 to 12 per cent for the annual growth of sterling M3, the broadly defined money supply, is to be continued during the 12 months to mid-October.

In practice, this represented a "slight tightening" of monetary controls, he said, since in the last six months the rate of growth of money supply has been below the bottom end of the target range, probably nearer 7 per cent a year than 8 per cent, according to Mr. Healey.

Consequently the starting level for the new target is lower than expected. A new system of targets which would be rolled forward every six months was announced in the April Budget. Sterling M3 consists of cash and bank current and seven-day deposit accounts.

Mr. Healey presented the rise in MLR—to the highest level since January 1977—as largely a technical adjustment rather than the major tightening of credit it actually is. He painted a largely optimistic picture of the development of the economy and of monetary influences. This low-key approach clearly reflected in part a desire not to antagonise the trade unions during the current pay talks.

Mr. Healey's speech contained no references at all to the possibility of any change in current fiscal policy.

Indeed he confirmed the Cabinet's recent decision to plan for a 2 per cent rise in the volume of expenditure on programmes in the next financial year.

His remarks thus gave no support to City speculation that the monetary action might be supplemented by fiscal measures, such as a rise in value added tax, which would be politically unattractive because of its impact on retail prices.

The measures, in particular the extent of the rise in MLR, were more severe than the City had been expecting.

Consequently, longer-dated gilt-edged stock, which had been half a point up in the morning, ended the day almost a point down, and the FT Government Securities index fell by 0.57 to a low for the year at 68.06.

In equities, the FT Ordinary share index closed 2.7 lower at 471.7, after being 2.4 up in the morning.

Discussing the MLR decision, Mr. Healey told the Commons that "a significant part of the increase validates the recent increase in short-term market interest rates in the face of uncertainties about the foreign exchange markets and U.S. interest rates, and about pay settlements in Britain."

"Given those uncertainties, the Government thought it right and prudent to err on the side of caution by establishing a level of short-term interest rates somewhat higher than that at present."

Mr. Healey said he expected short-term market rates to rise on average by ½ per cent or so, some more, some less.

"I believe that these decisions were necessary and will allow for the essential financing needs of the economy, and to help to keep inflation at its present level."

In reply to interventions, Mr. Healey claimed that the impact of earlier rises in interest rates on the real economy had been "grossly exaggerated." Although interest rates had steadily crept up over the last year, there had been a sharp rise in output and investment.

He virtually conceded that the building societies were likely to increase their rates since, he said, even before yesterday's rise in MLR, it had been a question of "how much and when" mortgage rates would rise.

Mr. Healey, who attacked the Opposition for giving monetarism a bad name, claimed that the

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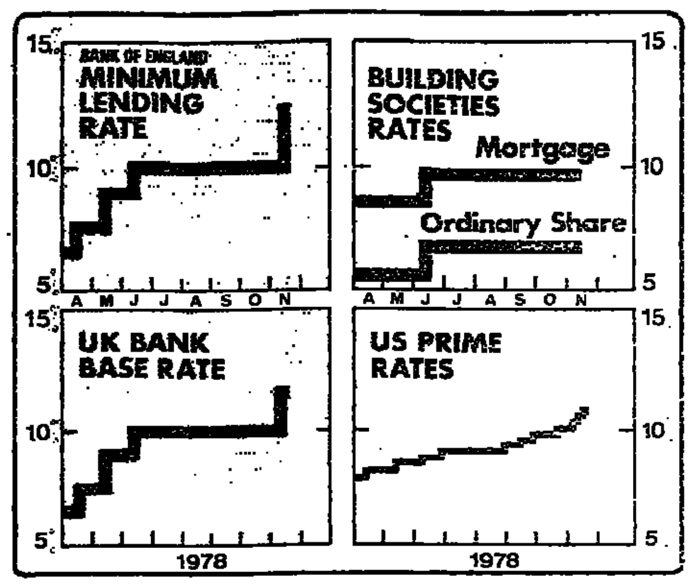

Dearer home loans likely

BY MICHAEL BLANDEN AND MICHAEL CASSELL

A BIG increase in the mortgage rate is likely to be announced today by the building societies in the wake of yesterday's rise in MLR.

The banks are also likely to announce further rises in overdraft and deposit rates over the next few days.

Building society leaders met in London yesterday to discuss their interest rates. It had looked likely that a decision would be postponed until December, but the MLR announcement and the societies' conviction that interest rates generally are now set to rise for the second time this month left them in no doubt about the need for immediate action.

Today's meeting of the Building Societies Association Council looks set to recommend that the home loan rate rises from its present 9¾ per cent level to about 11½ per cent, with investors' rates increasing from 6.7 per cent to 7½ per cent or more.

Officials of the Association are understood to have approached the Department of the Environment yesterday to tell it of their intentions. It was made clear that they would be free to make whatever decision they felt necessary at today's meeting.

A mortgage rate of 11½ per cent would be the highest since June, 1977, and represents a near-return to the crisis level of 12¼ per cent announced in October, 1976.

For the societies are in urgent need of higher receipts if they are to maintain present high lending and to meet the record level of demand for home loans, which shows no sign of slowing down.

Despite all the recent criticism of the lending ceiling set earlier this year after discussions with the Government, and suggestions that it should now be removed, the societies have in reality been struggling to meet even those monthly lending quotas.

As a result, they have for most of 1978 been dipping heavily into liquid funds. Most society executives believe the process has gone far enough and that their rates must now be adjusted.

At the moment, the societies are enjoying a reasonably good inflow of funds. Net receipts last month, at about £370m, were the highest monthly total since January and receipts this month as well should be over £300m.

But even before the most recent increase in competitive rates, the movement expected that receipts could again be falling to below the £200m a month level by the end of the year, a figure which would leave them incapable of meeting the present strength of mortgage demand. Advances in 1978 should reach about £8.9bn against £6.7bn in 1977, although few societies believe the figure can be improved upon next year, even given competitive rates.

The increase in MLR brings renewed pressure on the big banks to raise their overdraft and deposit rates further, even though they have already to some extent anticipated the upward trend.

They will wait to see how the level of short-term interest rates settles down in the money markets before making a final decision, possibly leaving any moves until next week.

The banks have already increased their rates at the end

Continued on Back Page

£ in New York

	[illegible]	[illegible]
Spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Callaghan averts election threat with 12 majority

BY RICHARD EVANS, LOBBY EDITOR

MR. JAMES CALLAGHAN last night secured the Commons authority he needed to continue in office when MPs voted down an Opposition amendment seeking an immediate general election.

The decision by 312 votes to 300 gave the Prime Minister a greater majority than expected because Mr. Enoch Powell and other Ulster Unionists decided to abstain and the Welsh Nationalists supported the Government due to legislation promised in the Queen's Speech.

The effect of the division—probably the most crucial of the final session of this Parliament—is that Mr. Callaghan should be able to retain power well into next year and to choose the date of the next general election.

Immediate

Mr. Powell, Ulster Unionist MP for South Down, said that the Ulster Unionists would probably have voted for the opposition amendment calling for an immediate general election had it not been for the Bill raising the number of Ulster MPs from 12 to 17.

He accepted that the Tories were in favour of the Bill, but he and his colleagues believed it important to have the legislation completed in the current session, rather than after a general election.

Earlier in the final day's debate on the Queen's Speech, Mr. Denis Healey, the Chancellor of the Exchequer, hinted that areas of agreement would probably be found between the Government and the TUC in their current confidential talks on pay policy. He admitted, however, that discussions had not been easy.

On the central issue, the Government remained convinced that the policy set out in the White Paper was the best method of keeping inflation in single figures.

Both sides were still considering whether it would be possible to introduce more flexibility into the 5 per cent limit, and there was a growing determination to discover and define areas of agreement.

The indications at Westminster are that these areas will inevitably be limited when the expected agreement is published.

Earlier, the Prime Minister emphasised again that the Government's main aim must be to curb inflation. He said that the Government intended to use the various parts of economic policy to keep inflation down.

"The country will have to make up its mind whether it prefers short-term measures to keep inflation down and prevent unemployment from soaring, or whether they are prepared to let inflation rip. The Government is not prepared to do that. We shall take all the necessary action."

Inadequate

Sir Geoffrey Howe, shadow chancellor, moving the Conservative amendment condemning the Government for its "totally inadequate economic policies," claimed that the pseudo-boom Mr. Healey had carefully designed for an autumn general election had now been killed stone-dead.

"The Prime Minister decided he was not taking advantage of the vote that had been designed by the Chancellor. He decided to miss it because he did not trust it. How right he was. It will never come again."

Parliament, Page 10

W. German statement aids dollar

By Michael Blanden

FURTHER widespread central bank support brought a recovery in the dollar yesterday after its weakness earlier in the week.

The U.S. currency was helped particularly by a statement by Herr Karl Otto Poehl, vice-president of the Bundesbank, asserting West Germany's readiness to support the stabilisation of the dollar.

The pound, however, showed little reaction to the jump in Minimum Lending Rate. The Bank of England was thought to have given some support to sterling in the morning ahead of the news.

After the announcement, the pound picked up a little, closing in London with a fall of 25 points against the dollar at $1.9725.

The dollar improved in Europe to DM1.8870 compared with DM 1.8770 on the previous day and against the Swiss franc was up to Sw.Fr.1.6245 compared with SwFr.1.610.

Poehl confident, Page 2

Iran restrictions by Eurobanks

BY MARY CAMPBELL AND PATRICK COCKBURN

THE IRANIAN Government's hopes of coping with the financial problems resulting from cuts in oil revenues and a high budget deficit, received a blow yesterday.

Major banks in the Euromarkets said they had put on ice any plans by Iran to raise medium or long-term syndicated bank loans until the country's political and economic future became clearer. One loan was cancelled two weeks ago.

On the face of it Iran's financial base is stronger than that of most other big international borrowers. The latest official figures show foreign exchange reserves of $11.66bn (£5.9bn) at the end of September. The very small drop, contradicting reports of an outflow of private capital, may be accounted for by the fall in the dollar.

But if Iran's foreign exchange reserves are high, strikes in the oilfields are cutting production to a quarter of normal. Expected income from oil and gas for 1978-79 has been cut from $20.7bn to $17bn and there is still no sign of an end to this loss of revenue.

Even if the strikers were to return, there is every likelihood that they would come out again in pursuit of their essentially political demands.

The international banks' lack of confidence in the Shah's future is particularly serious for Iran since the 1978-79 consolidated budget, now being revised already showed a forecasted deficit of about $17bn or 30 per cent of the total expenditure. About $3bn of this was to be met by foreign borrowing.

Substantial wage and salary increases awarded to oilfield workers in the last few months, in addition to some cuts in taxation, have increased the burden on the budget which will be difficult to meet from domestic resources. This in itself substantially increases the need for foreign borrowing.

Asked why banks would not arrange a loan syndication at present, one bank prominent in lending to Iran in the past said: "We cannot arrange a loan for a country which has no effective government." A new loan would have to wait until the tanks were off the streets, it said.

Other developments Page 4

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FEATURES

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CZECHOSLOVAKIA

Back into Moscow's fold

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT, RECENTLY IN PRAGUE

OFFICIALLY, Czechoslovakia has now returned to complete "normality." In foreign relations this was represented by the visit which Mr. Leonid Brezhnev, the Soviet President, made to the flag-bedecked capital, Prague, in May. Before that Mr. Gustav Husak, the Czech President and Party leader paid a state visit to West Germany, Czechoslovakia's most important Western neighbour and trading partner and so broke the isolation of the post-1968 Czech regime from top level official visits to the West.

It is true Mr. Husak received a distinctly muted welcome and that press comment was decidedly hostile. But the Czech regime was not surprised since it views the western press with deep suspicion and complains bitterly of the lack of objectivity shown in the reporting of Czech affairs.

Internally too Czechoslovakia presents a picture of "normality." I was stopped at Prague airport and waited an hour and a-half while the security police consulted the Ministry of the Interior about two books in my possession. I was finally allowed to proceed with the books after I explained that they were required reading for my job and that I had taken both of them into the Soviet Union earlier this year. One book was a history of the Socialist states of Eastern Europe, the other an outline of Soviet foreign policy written by a British diplomat.

Prague itself is a bustling city. The pride of the city authorities is the new Prague underground which has been expanding at the average pace of one kilometre per year for the last eleven years. It was originally conceived as a modest affair to put the trams underground in the congested city centre as cheaply as possible. Since 1969, however, it has become a symbol of Soviet-Czech co-operation, has high priority in the national plan and has escalated mightily both in costs and in imports of Soviet-made equipment.

Each of the 16 stations has a vast marble, glass and aluminium concourse with brightly lit advertisements for fork lift trucks, mini-calculators and various foreign trade organisations. The shops are full of domestic appliances and the better shops stock well-cut clothes from Czechoslovakia, Hungary, Poland and Yugoslavia. Butchers shops are crammed with meat and salami.

Restaurants and beer cellars are well patronised and service in the hotels and restaurants reflects the central European traditions of courtesy and efficiency.

A few western newspapers, including the Financial Times, are available in the lobbies of international hotels and at the airport, but apparently nowhere else. Prague is, however, a good place to obtain a vast selection of Soviet newspapers and magazines and to view the latest Soviet films.

Western films are also on offer; some in the original language with sub-titles.

Theatres and concerts are also crowded and Prague in the early evening is full of ladies in long evening dresses with their escorts. Even access to the fully booked nightclubs which abound in the centre is "for the evening dressed only" as one notice put it. Bookshops are also full of well-produced books. The children's books, in particular, are excellent.

But the official interest in Czechoslovakia's cultural life in a wider sense is also reflected in the large-scale programme of restoration work which is now taking place. Many of Prague's splendid baroque, gothic and Bohemian renaissance buildings are covered with scaffolding. Unfortunately work is progressing very slowly—partly because new housing projects, factories, power stations, coal mines, transport infrastructure and other projects have higher priority in the national plan and partly because there is a shortage of labour.

> Life in Prague goes on as usual though the Government is still actively pursuing the signatories of Charter 77, who form the heart of the dissident movement in the country. And although the Czech people are enjoying rising living standards, their attitude towards Moscow seems to be more one of resigned acceptance than of ideological fervour.

Under the planned economy, officials said, there is no unemployment. On the contrary, the high priority given to developing the economy has opened so many construction sites at the same time that there are not enough skilled workers to man them.

The result is a drifting labour force as workers move to other sites when they are offered higher bonuses help in obtaining apartments and other perks. One other reason which is not mentioned by officials is that in recent years there has been a boom in the construction of country cottages part of a widespread parallel indsutry of moonlight labour and purloined materials. Giving bribes and doing favours to get things done is usual and applies to everything from getting spare parts for the family car to foreign currency for a holiday abroad

Despite the labour shortage not all labour is used to the best advantage which is partly a question of labour hoarding, partly a lack of flexibility in economic planning. An attempt is being made to solve these problems by what is called "the complex economic experiment of quality and efficiency" aimed at giving greater managerial flexibility to 150 export orientated companies. But part of the problem is what to do with the half million party members purged after 1969 and the 1,000 or so "official" dissidents who signed Charter 77. Government officials said that most of the purged party members are now doing ordinary jobs, like the former party secretary Alexander Dubcek who has a job as a clerk in the forestry commission in Bratislava.

Another person now working elsewhere is Mr. Julius Tomin, a former professor of Greek Philosophy at the Charles University. He is a nightwatchman at the Prague zoo.

He is currently recovering his health after a three-week hunger strike shared by 24 other dissidents in protest against the arrest and beating up of Mr. Jaroslav Sabata, one of the three official Charter spokesmen. Mr. Sabata was one of a group of Czech dissidents who arranged to meet dissidents from Poland at the Czech-Polish frontier a month ago and was badly beaten by secret policemen in the police station when he tried to flush some papers down the toilet. He is still in jail and awaiting trial on charges of assaulting the police.

The authorities reaction is seen by Chartists as a symptom of the new insecurity engendered by the strength of the dissident movement in Poland and the new situation created by the election of a Pope from Poland.

The Church is nothing like as strong in Czechoslovakia as in Poland. But in both Prague and the Slovakian capital Bratislava I attended packed church services with many young people among the congregations.

Communist Party membership too has been built up to well over a million members, after a big effort to recruit workers and young people. How much of the membership is ideologically motivated and how much opportunism motivated by the advantages of membership is impossible to judge. But to the observer it is difficult to see much evidence of ideological vigour in the slogans proclaiming endless friendship with the Soviet Union and glory to the 61st anniversary of the October Revolution which drape public buildings.

The view of western diplomats and businessmen is that the overall mood is one of resigned acceptance of the post-1968 government coupled with enjoyment at the undoubted rise in living standards, social security, health and welfare payments over the last decade. Much will depend on the ability of the system to guarantee this steady rise in the face of increasingly unfavourable terms of trade and signs of declining competitivity in certain sectors.

Gaining a better understanding of the Czech economy was one of the main purposes of my visit and interviews with foreign trade officials, central bankers, nuclear power experts and economic specialists.

While crossing the Czech-Austrian border outside Bratislava I was stopped for over an hour by Czech frontier police who, on instructions from the Ministry of the Interior, confiscated all my working documents, statistics, books, file photocopies and background material including two books of official Czech statistics and a volume on the great progress of the Czech social security system over the past 10 years.

Poehl confident U.S. moves will aid $ recovery

BY DAVID CURRY PARIS, Nov. 9.

CONFIDENCE IN a durable recovery of the U.S. dollar was expressed here today by Herr Karl Otto Poehl, vice-president of the Bundesbank. He did not believe that President Carter's recent measures to arrest the decline of the dollar had come too late, but thought the U.S. Administration appeared to be accepting the risk of pushing the country into a recession.

He thought the U.S. balance of payments was on the path to improvement and he agreed with forecasts that the current account deficit in 1979 would be lower than this year's.

Although the political motives "are by far the most important," however, there were solid economic advantages to be gained by creating a zone of stability embracing the countries which accounted for at least half the foreign trade of the EEC.

Any agreement on fixed exchange rates in Europe would exert "irresistible pressure" on member countries to harmonise their policies if the system were not to break apart at an early stage.

"Decisions on technical details will have to be based on agreement about economic and monetary policy objectives," he said. "The one principle which must not be given up is that the system must foster not only external, but internal, stability—*the rules of the system must be* strict enough to contribute to the step-by-step reduction of inflation in Europe."

"They contain the elements of new destabilising reactions at some point, for example when finally the markets see a change for the better in fundamental economic conditions"

Herr Poehl underlined the importance of the U.S. decision to raise interest rates and to finance the balance of payments deficit by raising foreign currency loans. A U.S. team had been in Frankfurt yesterday to discuss such a fund-raising operation, he said.

Turning to the proposed European Monetary System (EMS), Herr Poehl was confident that the transitional stage could begin on January 1. The central idea of the EMS was "to use external monetary policy as a stepping stone to greater political and economic integration in Europe."

Speaking to an investment conference organised by the Banque Rothschild, Herr oPehl expressed West Germany's resolve to support the "new determination of the U.S. authorities" even though this might initially create some problems for Bonn's monetary policy.

The dollar's real value had been underestimated by the markets, he said, noting that, from the end of 1976 to the low point reached by the dollar last month, the external value of the French franc in real terms (for example the exchange rate after elimination the difference in inflation rates) rose by 18 per cent, that of the D-mark by 24 per cent, and that of sterling by 34 per cent.

"Such large shifts in exchange rates have quite obviously completely lost touch with the realities of economic life," he said.

It was important to get a monetary system off the ground with realistic exchange rates and allowing for exchange rate changes to offset differences in rates of inflation in Europe.

The cardinal problem was the size of intervention obligations, because such interventions "can completely pull the rug from under domestic monetary policy." It was important, therefore, that there should be a growing degree of harmonisation with respect to economic, fiscal and monetary policy and that exchange rate adjustments should be made where necessary to keep intervention obligations within limits.

While intervention could take place before the limits had been reached "we reject an automatic obligation" to do so because this would be unreasonably one-sided and create an intervention system within an intervention system, Herr Poehl concluded.

He saw no need for parity adjustments among members of the existing European currency snake but said that newcomers would have to enter on "realistic" parities.

Credit Agricole fights bid to change tax privileges

BY ROBERT MAUTHNER PARIS, Nov. 9.

THE CREDIT AGRICOLE, the French state-controlled farmer's bank, and the third biggest bank in the world by assets, has turned down the Government's first proposals for a modification of its privileges, including exemption from company and payroll taxes.

The decision by the bank's representatives says something about the independence that *even state-controlled institutions* have under the mixed French banking system.

But the Credit Agricole will clearly be unable to hold out indefinitely against the pressure which has been building up to change its status.

The private banks have been campaigning for years to persuade the authorities to put the Credit Agricole on a footing closer to that of the other banks and their appeals have lately found favour with the Government, which also feels that the bank is growing too fast.

The Credit Agricole appears to have accepted that its profits—or surpluses, since it is theoretically a non-profit making co-operative—should be taxed, on condition that it is granted the right to extend its activities to areas from which it is excluded.

But the Government's proposals in this respect have not come up to the bank's expectations.

While the Credit Agricole, which has branches in big cities but can give loans only to clients in municipalities with no more than 7,500 inhabitants, wants to spread its lending activities to larger towns, the Government has offered to raise the ceiling to only 10,000 inhabitants.

With total assets at the end of 1977 of FFr 329bn (about £38bn) and FFr 127bn in medium-and long-term loans, the Credit Agricole collects more than 25 per cent of total bank deposits in France. Its capital has more than doubled in five years from FFr 7.8bn in 1972 to FFr 16.9bn last year.

Monnet foundation set up

BY DAVID WHITE PARIS, Nov. 9.

A FOUNDATION is being set up in honour of 90-year-old M. Jean Monnet to promote studies in European unification of which M. Monnet was one of the principal proponents in the immediate postwar period.

A preliminary meeting of representatives from various European countries was held here today to set up the foundation, which will be based in Lausanne, where M. Monnet's personal archives—eight tonnes of them—are being stored.

Founder members of the body include Mr. Edward Heath, the former British Conservative Premier, Herr Willy Brandt, the West German Social Democrat leader, M. Leo Tindemans, former Belgian Prime Minister, and M. Gaston Thorn, the Luxembourg Premier.

Her Helmut Schmidt, the West German Chancellor, in a tribute published here to mark M. Monnet's 90th birthday, laid emphasis on the importance of creating a European monetary system in order to carry on the process of unification.

Patronat chief warns of 'world crisis'

PARIS, Nov. 9.

M. FRANCOIS CEYRAC, head of the French employers' association, the Patronat, said today that "all the elements of a new world-wide crisis are starting to fit together."

He told a news conference that the French economic recovery was fragile and remained at the mercy of such a crisis.

He pointed to the threat of a shortage of oil supplies to the industrial nations, due to the troubles in Iran, the risk of an increase in energy prices, and the possibility of a "violent" attack on the dollar.

The French economy was recovering "slowly but surely," but has still some way to go. For this reason, the Patronat had remonstrated against the labour unrest in France in the past few weeks, he said.

AP-DJ

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Italian union accord reached

THE ITALIAN Government has reached a temporary accord with federated public employees' unions which provides for pay increases that the Prime Minister Sig Giulo Andreotti had previously refused to grant, AP-DJ reports from Rome. One labour leader said that the agreement meant unions would call off a general strike by state workers which had been planned for Friday. Non-federated, or autonomous unions staged a general strike which disrupted some services in the public sector yesterday.

Dutch industry

Dutch Government assistance to industry declined in the first half of this year from a year earlier, according to Economics Ministry statistics, AP-DJ reports from The Hague. In the first half of this year, the Government provided assistance to 52 projects totalling Fl 255.9m (£65.4m). A year earlier, assistance valued at Fl 285m (£72.8m) was provided to 71 projects.

Zaire aid meeting

Ten wealthy nations opened a two-day conference yesterday aimed at producing a 12-month programme of humanitarian aid and short-term loans to relieve Zaire's large foreign debts, AP-DJ reports from Brussels. Zaire is understood to be proposing a $500m scheme to restore the economy by 1980 to its 1973 level.

Call to cut hours

A 10 per cent reduction in weekly working hours over the next four weeks was demanded yesterday by the European Federation of Trade Unions at a meeting between government, union and management representatives on European Community employment problems, AP-DJ reports from Brussels.

OECD price rises

Consumer prices in member countries of the Organisation for Economic Co-operation and Development rose 0.7 per cent in September after a 0.5 per cent gain in August, giving a year on year rise of 8.1 per cent, Reuter reports from Paris. The increase in the six months to end-September was 9.1 per cent at an annual rate, the same gain as for the six months to end-August.

$150m loan to Turkey

The World Bank has approved a $150m loan to Turkey to help finance high-priority imports, the bank told Reuter. This would aid fuller use of productive capacity in agriculture and industry as well as meeting the import needs of exporters.

Dublin Minister reports progress on EMS details

BY JONATHAN CARR

BONN, Nov. 9.

MR. GEORGE COLLEY, Ireland's Finance Minister, said here today that he believed there had been considerable progress within the last few days towards accord on the technical details of the European monetary system.

Speaking after talks with his West German counterpart, Herr Hans Matthoefer, Mr. Colley said the progress involved both the question of central bank intervention and the size of credit facilities within the system.

His comments follow word from West German sources that Bonn and Paris reached broad agreement on the intervention issue at talks last week between Chancellor Helmut Schmidt and President Valery Giscard d'Estaing.

The Bonn Government and the Bundesbank have strongly argued that central banks should only be forced to intervene when participating currencies move to the fluctuation limits laid down for them within the system.

Some other prospective members have suggested establishment of a kind of currency early warning system. This would indicate when a currency was deviating and would unleash compulsory central bank intervention even before the fluctuation limits had been reached.

The new Paris accord means that in the view of West Germany and France there can be such a warning system, but no obligatory intervention, only a commitment to action which might take many forms. At its weakest it would mean no more than consultation.

Mr. Colley said he did not think there was any item regarding technical establishment of the system on which Ireland and West Germany had differences of substance.

He believed the political will existed in Bonn to help bring about that transfer of resources which Ireland felt it needed to be a member. Mr. Colley noted that the transfer sum invoved was £650m over five years, but he made clear that, if Britain did not join the system, Ireland would need more than this.

Mr. Colley said that Ireland was not primarily interested in a loan but in a transfer, either through Community institutions or by some other multi-national means. He did not expect figures on a final package to emerge until the European Council meeting in Brussels on December 4 and 5.

Bonn bid to ease extremist rule

BY OUR OWN CORRESPONDENT

BONN, Nov. 9.

THE WEST German Government has made another effort to curb abuses arising from a 1972 decree intended to prevent extremists from gaining public service jobs.

The Cabinet agreed on a statement which tries to indicate the limits within which the investigation of those applying for public service jobs should take place.

Herr Gerhart Baum, the Federal Interior Minister, will be discussing the matter later this month with ministers of the states to try to ensure a more unified approach throughout the country.

So far this has not been the case. The federal Government and states ruled by members of the Social Democrat and Free Democrat parties have been inclined to interpret the decree flexibly. Some other states have been much more zealous, resulting in charges that they are illiberal and that their attitude contributes to political passivity.

Among the points now stressed by the Cabinet is that membership of a party whose aims are hostile to the constitution does not automatically rule out a candidate for a public service job. The judgment must be made on a case by case basis.

Further, the Cabinet says there is no need for public service authorities in every case to ask the Office for Protection of the Constitution (the counter intelligence service) for a report on an applicant. The questioning of a candidate must also be in reasonable relation to the job for which he is applying.

Spain protest at terrorism

MADRID, Nov. 9.

MORE THAN 140 demonstrations are planned throughout Spain tomorrow in a growing campaign against terrorism. Organisers hope that at least 1m people will turn out

The demonstrations are being backed by Spain's major trade union groupings, political parties and citizen's associations. The mass movement against political violence follows a long debate on law and order in the Spanish parliament last night.

● Four people died and more than 20 others were injured when fire gutted a bingo hall in the northern Spanish town of Calahorra last night. Police said more people might have died but for a television showing of Spain's football international against France, which kept many bingo players at home.—Reuter.

Swedish package criticised

BY JOHN WALKER

STOCKHOLM, Nov. 9.

THE SKr 2.6bn (£303m) economic package presented to Parliament by the newly-formed Swedish Government in an effort to put the economy back on its feet has come in for strong criticism from all sides.

The child allowance is to be increased by SKr 240 to SKr 2,500 per child per year. There is a proposal to reduce the marginal tax level on income over SKr 45,000 and under SKr 75,000. An income of SKr 50,000 would receive a tax reduction amounting to SKr 208, a SKr 60,000 income would benefit by SKr 475 and an income of SKr 70,000 by SKr 768.

Mr. Olof Palme, the Social Democrat party leader, said his party will not support the tax measures as it feels that the Liberal minority Government's proposed tax cuts mainly benefit the higher income groups, while increased child benefits have not gone nearly far enough.

Mr. Ola Ullsten, the Prime Minister, said that the economy is not yet back to normal, and he appealed to the opposition to support the plan even though 1979 was election year.

Small decline in EEC industrial production

The seasonally adjusted industrial production index of the EEC stood at 110.1 in August (1975 equals 100), down 0.36 per cent from 110.5 in July and up 0.45 per cent from 109.6 in August, 1977 the EEC Statistics Office said yesterday, Reuter reports from Brussels. The production decline in a month was due to unfavourable trends in the capital goods and consumer goods industries.

Romania sets new investment policy

By Paul Lendvai

VIENNA, Nov. 9.

MR. PAUL NICULESCU, the Romanian Finance Minister and Deputy Premier, has disclosed for the first time details about the country's new policy of investment financing.

Presenting the 1979 Budget to Parliament, he announced that from next year the State enterprises will have at their disposal funds of 50bn lei (£5.9bn), equivalent to almost 22 per cent of total capital investment in the economy in 1979.

Companies will get back what Mr. Niculescu called "a considerable portion" of their net earnings to set up funds for economic development, working capital, social and housing schemes as well as for profit-sharing for employees.

Investment will be financed from the development funds of the companies concerned and through bank credits, with performance in terms of net income and expenditure regarded as the yardstick. The Minister warned that companies showing losses will be subject to investigations.

Meanwhile the 1979 Plan, now approved by Parliament, continues to provide for some of the fastest growth rates in Eastern Europe.

National income should rise by 8.8 per cent and net industrial output by 11.5 per cent next year. Although this year's harvest fell 4m tons short of the 23.1m tons target, the 1979 Plan aims for 24.7m tons.

Investment will be up by 9 per cent but farming and forestry will receive only about 10 per cent of the total against 57 per cent for industrial investment.

The Plan envisages a 16.6 per cent expansion in foreign trade and an 18 per cent jump in exports. Speaking in the debate, Mr. Cornel Burtica, the Foreign Trade Minister, emphasised that the exports growth rate must be attained under adverse international conditions and called for improved quality as the basic condition for becoming competitive in world markets.

Observers, meanwhile, are doubtful whether the over-extended Romanian economy will be able to maintain the highest nominal growth rates in Eastern Europe and at the same time digest a difficult adjustment to a new system of decentralised investment and credits.

U.S. mining industry seeks more freedom to explore

BY PAUL CHEESERIGHT, RECENTLY IN LAS VEGAS

FOR THE U.S. mining industry, the West has not been won. It has been lost not in skirmishes with Indians on the plains and in the mountains but in dispute with the federal government in Washington. The fight is about access to, and exploitation of, the public lands and the battle is about the Mining Law of 1872.

The 1872 law was one of a series of acts designed to open up the West for new settlers. The search for minerals on public lands was actively encouraged by giving the prospector the title to land and what lay beneath it if he discovered any minerals. He had the right of exploitation in his own good time.

"It was a good law for the purpose for which it was designed — to open up new frontiers. We have different frontiers today — wise use and management of all our resources." Mr. Cecil Andrus, the present Secretary of the Interior told the mining industry recently.

So the arguments about the reform of the 1872 law are arguments about what rights mining companies and individual prospectors should have on the public lands and what they should give in return, if anything, for those rights.

Two sides of the argument—the Administration's desire to achieve a measure of control and the industry's claim for as much freedom as possible—were encapsulated in Bills which died when the 95th Congress went into recess last month.

The Bills are likely to be revived in the 96th Congress with the measure favouring the industry sponsored probably by Representative Morris Udall, the Arizona Democrat who is chairman of the House Interior Committee. Previously the Bill had been brought forward by Representative Philip Ruppe of Michigan who is retiring.

The potential use of vast tracts of land is at stake, especially in the Western states. The industry claims that it has already been frozen out of a land area equal in size to nearly all of the states east of the Mississippi.

In its latest policy statement on the use of public lands, the American Mining Congress, the industry body, said: "A 1975 study indicated that, by the end of 1974, nearly 73 per cent, or approximately 550m acres, of all public lands had been entirely or partially closed to exploration and development."

The withdrawal of this land is a consequence of the 1872 law. The Administration argues that mining is the only economic activity on public lands which remains basically uncontrolled, despite the proliferation over the last decade of more stringent environmental laws. Once a company gains title to the land it has very wide discretion over its use.

The response to this situation has been to close large tracts of land to the industry—wilderness areas, where roads are forbidden, have been created, for example. But, as Mr. Andrus confessed, "The withdrawal authority is a blunt tool at best for managing public lands."

In short, what the 1872 law gives is being taken away by other laws, plus a battery of regulations and court decisions. Only a skeleton of the 1872 law remains, but the rights and obligations of mining companies on public lands still require definition.

> **Both sides adopt the principle of the multiple use of public lands but place different emphasis on what is meant by the term.**

Certainly the companies will never enjoy the freedom they once had. The Federal Land Policy and Management Act of 1976 gave the state authority to manage public lands and for the first time embraced the concept that the state would actually retain and supervise the use of the lands.

The industry has four principles it wants followed. First, prospecting should be encouraged to allow maximum but not exclusive access to the public lands. Second, a prospector should have exclusive exploration rights to any area where his work has reached a detailed stage. Third, if a deposit is found, a prospector should have the exclusive right to develop it, even if development might be deferred. Finally, the law should provide a mining venture with secure tenure.

The Ruppe Bill went some way towards meeting these demands. It embodied the right of self-initiation (that is a company does what it wants to do in its own time) and what is called the claim location patent system. This allows for the grant of a title for the discovery, but the patent would cover the minerals and not the land. At the same time the Bill envisaged the payment of a royalty on production to the state.

The approach of the Administration is wholly different. It would give the Department of the Interior very broad discretion to establish the terms and conditions for a mining lease, including the power of veto. It would allow public hearings on claims for leases and provide for the protection and reclamation of the land.

In other words, the mining companies, instead of having a right to minerals found on public lands would have to justify the need for the development of the deposit in relation to other potential uses for the land.

Both sides in the argument adopt the principle of the multiple use of public lands, but they place different emphases on what is meant by the term. "No areas should be closed to exploration for minerals or to mining in the absence of a compelling national interest which overrides the need for an adequate domestic mineral supply," says the American Mining Congress.

The Administration does not automatically grant this priority. The BLM Organic Act provides for the management of public lands in a manner which protects the quality of scientific, scenic, historical, ecological and environmental values. At present both the Bureau of Land Management and the Forest Service are undertaking studies to see how the lands should be managed.

Even if questions of land use are sorted out, the industry remains fearful of how the Interior Department would handle a leasing system.

But above all, the industry wants to keep what it finds. At the recent American Mining Congress convention in Las Vegas, Mr. T. S. Ary of Utah International told delegates that he would not recommend mineral exploration under the conditions envisaged by the Administration.

It looks, however, as if the industry may be whistling in the dark. Those who have followed closely the moves over the last 15 years to change the 1872 law argue that if a poll was taken around Congress, 95 per cent of the representatives and senators would not know anything about the 1872 law and 75 per cent of them would come out in favour of a leasing system. The industry, they suggest, will have lost its battle unless the public suddenly begins to appreciate the role minerals play in everyday life.

AMERICAN NEWS

Bank regulators intend to tighten up on foreign loans

BY STEWART FLEMING — NEW YORK, Nov. 9.

A CO-ORDINATED attempt by U.S. bank regulators to tighten supervision of foreign lending by U.S. banks will begin in January with the first meeting of a joint committee of the Federal Reserve Board, the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

The move was foreshadowed in May this year in an article in the Federal Reserve Bank of New York's quarterly review. In general, the new committee will try to assess the political and economic risks of bank loans to specific foreign Governments and their agencies, and relate this risk assessment to the strengths and weaknesses of the banks making the loans.

Over the past decade dramatic growth has occurred in foreign lending of U.S. banks, particularly to governments. According to a congressional study the total foreign assets of U.S. banks increased from around \$3.5bn in 1960 to \$181bn in 1976. A substantial proportion of the increase, particularly since 1973 has been in lending to governments.

Such loans have a high element of what is called, sovereign risk—the danger that a change in political and economic conditions in the country could affect repayment.

The build-up in loans has given rise to concern about the risks and there has been criticism that the regulatory agencies at the national level, by not co-ordinating their supervision, may be less effective than they should be, and may not be treating the different banks fairly.

The agencies are meeting these criticisms through the creation of the new committee. It will assess the political and economic risks of lending to specific states. An initial screening process focusing on a country's economic condition, and studying such things as its debt-service ratio in relation to the size of the economy, will disclose which individual countries merit a closer look, according to the committee's staff. It may also examine countries not thrown up by the screening process.

It has been emphasised that the committee will not aim simply to make a list of riskier countries and to classify bank loans to them as sub-standard. The regulators will also look at the condition of the individual bank lenders. It will consider, for example, whether a bank has a high or low proportion of its capital committed to higher risk countries, and how broadly diversified its foreign loan portfolio is.

The agencies have given a clearer indication of what in general constitutes a sub-standard loan by stating that they will begin to clasify loans to a country when there has been an interruption of debt-servicing or when such an interruption is imminent.

The committee will also look at the concentration of a bank's lending. According to one regulator, it will point out that a bank has a concentration of lending when a particular loan accounts for 25 per cent or more of a bank's capital and reserves. The level at which the regulators will comment on the degree of concentration will depend, in part, on the risk they attach to loans to particular countries.

There has been considerable concern around the world in countries which have been heavy borrowers from the U.S. commercial banks and who fear that the new regulatory process could lead to some banks being forced to reduce or restrict their commitments. The bank regulators will not say whether they expect any specific countries to be adversely affected by the new system, although they stress it is not their aim to allocate credit.

A particular focus of concern, to some extent separate from the operation of the new committee, has been the federal law of 1864 which lays down that a bank must not tie up more than 10 per cent of its capital in a loan to a single entity.

The Comptroller of the Currency has the responsibility of enforcing this law and in January this year proposed a means and purpose test which would help to distinguish whether a Government and its agencies should be viewed as a single entity. A final draft of these regulations, which have been slightly revised, is expected in a few weeks.

Support for SALT not seriously affected

By Jurek Martin — WASHINGTON, Nov. 8.

THE CHANCES of the United State Senate ratifying a new strategic arms limitation agreement (SALT) with the Soviet Union next year have probably been slightly, but not grievously, harmed as a result of yesterday's Congressional elections.

At first, it appeared that the Carter Administration had lost much key support with the defeat of half a dozen prominent liberal Senators and the victories of three new Right-wing hardliners. But a closer analysis tends to bear out the Administration's contention that it has incurred a net loss of no more than two backers of a SALT treaty, and perhaps not even that.

A major treaty has to be ratified by two-thirds of the Senate in order to become law and, even with President Carter's recent triumphs in Congress, it has always been clear that a SALT treaty would be a close run thing. The President has not entirely ruled out presenting the treaty to Congress as an Executive Agreement, thereby getting round the two-thirds provision. But he would prefer not to take the highly controversial route.

The Administration's losses yesterday are obvious: the five democratic liberals—Senators Clark in Iowa, Haskell in Colorado, Macintyre in New Hampshire, Hathaway in Maine and Anderson in Minnesota—plus moderate Republican Edward Brooke from Massachusetts could have been counted on to back a SALT treaty.

Senators Clark and Macintyre, in particular, could have been expected to play key roles on the Administration's behalf, using their considerable influence in two key committees, the Foreign Relations Committee (Mr. Clark) and the Armed Services Committee (Mr. Macintyre).

Three of their replacements, Mr. Roger Jepsen from Iowa, Mr. William Armstrong from Colorado and Mr. Gordon Humphrey from New Hampshire, appear so conservative that their opposition to SALT can be guaranteed.

But some of the other newcomers, Democrats and Republicans alike, appear as likely to support the President on the issue as oppose him.
to back SALT.

Among the new Senators representing seats which did not change party hands, Mr. Paul Tsongas from Massachusetts would appear certain to support the treaty.

Among the new Democratic Senators taking over Democratic seats, Mr. David Pryor from Arkansas, and Mr. Donald Stewart from Alabama seem more liberal than their predecessors.

Much may well depend on the committee assignments which will be determined by party caucuses early next year. One committee due for a major shake-up is Foreign Relations. It will have a new chairman, presumably Senator Frank Church, in place of the retired Senator John Sparkman, while two of the other nine Democrats (Mr. Clark and Mrs. Muriel Humphrey) and three of the six Republicans (Mr. Clifford Case, Mr. James Pearson and Mr. Robert Griffin) will not be returning to Washington. As a result of their gains in the Senate, the Republicans can expect to get an additional committee member.

President Carter has shown himself quite adept at working with moderate Republicans on some key foreign policy issues, such as the Panama Canal treaty ratification. This, as the Republican party chairman, Mr. William Brock, suggested this morning, may turn out to be a highly desirable approach.

U.S. COMPANY NEWS

Olin and Celanese call off merger talks: currency losses hit ITT: Allstate Insurance diversifies—Page 29.

Canada sales tax cuts expected in budget

BY VICTOR MACKIE — OTTAWA, Nov. 9.

MR. JEAN CHRETIEN the Canadian Finance Minister has announced he will bring a new federal budget before Parliament on November 16. It is his second budget in seven months.

He will probably cut sales tax to give a mild stimulus to the economy, to offset the slowdown in growth caused by high interest rates.

Mr. Gerald Bouey, governor of the Bank of Canada said yesterday in Vancouver that, for the time being, Canadian interest rates will have to keep pace with further increases in U.S. rates.

"In a situation where we are heavily dependent on inflows of foreign capital, and when confidence in the Canadian dollar is still rather fragile in foreign exchange markets, opportunities to be able to ignore movements in U.S. interest rates are limited."

He said the two recent increases in the central bank's lending rates were necessary to stop the Canadian dollar declining further on international money markets. The latest adjustment in the Bank of Canada's bank rate came earlier this week, when it was raised to 10.75 per cent from 10.25, in response to a rise in U.S. interest rates.

In moderate trading on Wednesday, the Canadian dollar dipped to its lowest point in the foreign exchange markets since late October. At the close in the North American inter-bank wholesale market, the Canadian dollar was changing hands at 85.13 U.S. cents.

The Federal Government yesterday tabled supplementary spending estimates totalling C\$1.06bn in the Commons, bringing expenditure authorisation to C\$49.79bn for this fiscal year ending on March 31, 1979.

A Treasury Board official said, however, the Government still expects actual spending for the fiscal year to be within the planned C\$48.3bn, because some funds allowed for will not be spent, and because some loans will be repaid.

Teamsters win court fight

BY JOHN WYLES — NEW YORK, Nov. 9

MR. RAY MARSHALL, President Carter's Labour Secretary, has apparently failed in his attempt to prevent the Teamsters' Union's central states Health and Welfare Fund from renewing a three-year multi-million dollar contract with Mr. Allen Dorfman, the controversial Chicago businessman.

The U.S. Court of Appeals in Chicago has rejected the Labour Department's appeal against a lower court refusal to issue an injunction against the renewal of Mr. Dorfman's contract. Mr. Dorfman's company has been processing claims for the Teamsters' Fund since the early 1950s, and the Labour Department alleged that the Fund's trustees would be violating their fiduciary responsibilities by continuing the relationship. The Department said the Fund had organised a false bidding procedure to ensure that Mr. Dorfman's company would win the contract.

Mr. Dorfman is a close associate of Mr. Frank Fitzsimmons, the Teamsters' president, whose compliance with the voluntary wage and price guidelines in trucking industry negotiations next year is considered vital for the Government's anti-inflation policy. In 1972, Mr. Dorfman was convicted of accepting a \$55,000 illegal payment to organise a loan from the union's central states Pension Fund.

OVERSEAS NEWS

Refugees flee Afghanistan

By Chris Sherwell — PESHAWAR, Nov. 9.

VILLAGES IN the hills and valleys of Afghanistan's remote eastern provinces have been bombed and strafed by aircraft in support of the Afghan army's attempts to quell armed resistance by staunch Moslems to socialist rule of Premier Nur Mohammed Tarraki who overthrew President Daud in a bloody coup last April.

People involved in the fighting, but driven across the border and seeking refuge in the tribal areas of Pakistan's North West Frontier province, say Russian advisers in Afghan army uniforms have been killed and captured along with hundreds of Afghan soldiers. Their reports corroborate independent accounts available in Kabul and confirm claims made by an exiled right-wing Moslem group based in Pakistan known as the Movement of Islamic Revolution.

Although the Soviet-backed Tarraki Government has not admitted openly that there have been clashes of this severity, recent statements by the Vice-Premier Mr. Hafizullah Amin, strongly suggest that pockets of resistance persist. He himself speaks of a holy war against the Ikhwani Moslems, whom he describes as psuedo Moslems, to emphasise his government's commitment to Islam while it pursues its socialist path.

But it is generally agreed that at the moment they do not pose a serious threat to the government's survival, even if they are demanding a lot of attention. Though there are reports of unrest from several provinces, the government retains control of Kabul and other urban centres, and appears to have successfully purged the army and administration of potentially disloyal elements.

Refugees I spoke to yesterday in the tribal districts north of here said they had fled because of fighting in their area on the other side of the border. As many as 10,000 have fled.

They gave richly detailed accounts of how jet aircraft and helicopter gunships were brought in with incendiary bombs after they had initially beaten back the army in Afghanistan's Kunar province.

They also told of villages, including mosques and revered copies of the Koran, being burned, and of how they trekked miles north and survived in the hills before crossing into Pakistan. They claimed that a large part of this area—Nooristan—was an "independent Islamic area."

These refugees claim allegiance to one of the religious political parties which are part of the Movement of Islamic Revolution formed recently to fight the Tarraki regime. They say they do not want to stay in Pakistan, but cannot return because they lack the bullets. Yesterday they proudly displayed a captured Soviet-made Kalashnikov rifle.

This determination to resist makes them a potential political embarrassment for Pakistan. Relations with Afghanistan are uncertain at the moment, in spite of General Zia's short visit there in September, and a Pakistani trade team which is due to arrive in Kabul next week.

Oil output down to 25% as Iran strikes continue

BY ANDREW WHITLEY — TEHRAN, Nov. 9.

THERE IS still little sign of an end to the strike in the Iranian oilfields. Production today was 1.479m barrels, compared with average daily production of 6.053m barrels in September. Exports totalled 980,000 barrels, of which a quarter was light crude and the rest heavy. Exports for November have averaged 986,000 barrels a day.

The hasty shutdown of the oil wells when the strike began to bite is understood to be causing some technical problems at the fields. Acid has got into the oil coming from the large Dehluran field, near the Iraqi border.

Of equal concern is the fact that several drilling companies are thought to be halting their operations. The American company Santa Fe and Sedco are believed to be among them, although no confirmation is available.

Sources in Ahwaz, the regional capital, say 38 tankers were queuing off the Gulf coast on Monday for their turn to load. Two were loading. The sources say the waiting tankers represented requests for 42m tonnes of crude oil, worth \$60m.

Shortages of Iranian crude are causing particular concern because Saudi Arabia is believed to be producing close to capacity. Sources close to Aramco, responsible for most of the kingdom's output, say production is now 10.1 million barrels a day, the maximum which can be sustained over the next few months.

The new military government in Iran is taking a tough stand towards the local and foreign pres, as shown by the arrest last night of the staff correspondent for the American news agency United Press International, and what is understood to be its refusal to allow local newspapers to re-appear since its Monday take-over without some form of censorship.

Publicly the attitude of the generals towards the media as a whole remains a mystery, as there has been no formal contact with the new government. But it has become clear that they are not prepared to tolerate the sort of freedom agreed only three weeks earlier between the local Press and the government of the Prime Minister Jaafar Sharif-Emami.

None of the major newspapers in Persian or English have appeared for the past five days, mainly because of the journalists syndicate's refusal to work while their members are being arrested. About 15 newspapermen and five TV journalists were detained for a number of days and subsequently released.

Botha's warning defied by press

BY QUENTIN PEEL — JOHANNESBURG, Nov. 9.

SOUTH AFRICAN newspapers appear to be set on confrontation with the Government today after publishing further details of transactions connected with the Administration's alleged funding of the pro-Government newspaper, the Citizen.

The latest reports coincide with the threat by Mr. P. W. Botha, the Prime Minister, to introduce controls on the press if newspapers regard themselves as above the law, in the exposure of secret operations by the former Department of Information.

Three newspapers, the Johannesburg Star, the Rand Daily Mail, and the Afrikaans-language Beeld, have given details of cheques, said to be in repayment of the R12m advanced by the department to found the newsfund the Citizen, made out by Mr. Louis Luyt, who has admitted being used by the department to found the newspaper.

According to the reports, the cheques, post-dated for annual payments between March 2, 1979, and March 2, 1986, were made payable to the bank account of a company called Homerus Finance Corporation operating from the same address as Thor Communicators, which has been identified as a front company for Information Department operations.

One of the two directors of the company, Mr. David Abramson, chairman of Hortors, a printing and publishing company, has denied any links with Mr. Luyt, his fertiliser company, Triomf, or the Citizen. The other director, Mr. John Heinrich, a Johannesburg restaurant owner, refused to comment.

The establishment of a judical commission of inquiry into the activities of the Information Department was thought to have made all reports on the subject *sub judice*, but the newspapers' lawyers are understood to have advised that the law is not as strict in the case of a commission, as it is in court cases.

Meanwhile Judge Anton Mostert, who was dismissed by Mr. Botha from his one-man commission into foreign exchange violations after he published evidence about Information Department activities last week, today handed over all his documents to Treasury and court officials.

Mr. Alwyn Schlebusch, Minister of the Interior, has been appointed acting Minister of Plural Relations, in place of Dr. Connie Mulder, who resigned over the scandal on Tuesday.

Israel public opinion poll may lead to tougher line on peace talks by Begin

BY DAVID LENNON — TEL AVIV, Nov. 9.

SHOCKED MEMBERS of Mr. Menahem Begin's ruling Likud bloc are trying to find excuses to explain away a public opinion poll which indicated that they would be defeated if elections were held now.

The Likud had been convinced that, as a result of the peace negotiations with Egypt, its strength would shoot up at a general election. But now it appears that the public is not impressed with the way the talks have been handled.

The poll findings will hardly strengthen Mr. Begin's hand in the peace talks, or in his constant struggle with the U.S. administration, which believes he is too rigid.

It also means that the Government will come under intensified attack from the opposition Labour Party. Surprised by the finding that it would re-emerge as the largest single party if elections were held now, a re-invigorated Labour Party is expected to step up its criticisms of the Government's handling of the peace negotiations and its dismal record on domestic issues.

In addition, the poll has effectively silenced those members who wanted to end the alignment with the Left-wing Mapam Party. Both parties now know that every vote will count in the next election.

The public opinion poll was conducted by Israel Television among more than 20,000 people voting in local elections this week.

Asked which party they would back in the event of a general election the sample gave Labour 48 seats in the 120-member Knesset compared with its current 32. The Likud emerged with 46.

Likud was quick to point out that the poll sampled only the 55 per cent of the eligible voters who turned out for the local elections. It stressed that the additional 25 per cent who would have voted in a general election would have included a high proportion of its supporters. Likud also draws comfort from the limited gains which it made in the local elections in which it ousted Labour from a number of councils.

Because the poll shows the two parties as neck and neck in the election race, they will be particularly anxious to avoid splits within their ranks. Mr. Begin will have to make a special effort to retain the support of party members who believe he gave away too much in the peace negotiations. This could lead to a further toughening of his stance in the peace talks, especially on the emotive West Bank issue.

General elections are not due for another three years and the ruling coalition commands a comfortable majority. But when negotiations start on the West Bank-Palestinian issue, Mr. Begin may not be able to carry his party as presently constituted through the concessions needed to make peace.

It may be necessary for him to go to the electorate to seek a new mandate. This week's TV poll showed that it is not certain that Mr. Begin would be chosen to continue handling the negotiations.

Sadat criticises Saudis

BY ROGER MATTHEWS — CAIRO, Nov. 9.

PRESIDENT ANWAR Sadat of Egypt has now turned even on Saudi Arabia in his anger at the Arab world's rejection of the Camp David Middle East peace accords. In an interview with a Kuwait newspaper Mr. Sadat is reported as saying that he regretted that Crown Prince Fahd of Saudi Arabia would have accepted the logic of Iraqi President Hassan al-Bakr during the recent arab summit meeting in Baghdad.

According to Mr. Sadat, President Bakr was mentally sick. In another reference to the oil-producing arab states Mr. Sadat said that Egypt "had no respect for those who use their wealth for bribery, nor for those who receive the bribes." He accused King Hussein of Jordan of only going to the Baghdad summit because he had heard that a multi-billion dollar fund was to be established.

Mr. Sadat added: "we will never place ourselves under the guardianship of the ignorant, the malicious and the disgruntled. Our decisions are based on practical realities and we speak the language of the age."

Commodity fund talks resume in Geneva

By David Housego

INDUSTRIALISED and developing nations resume negotiations in Geneva on Monday in an effort to set up the proposed Common Fund to stabilise prices for key internationally traded commodities.

Though both sides are committed in principle to the Fund, two rounds of discussions—the last in December 1977—have broken down amid sharp recriminations. The two-week meeting which opens under the auspices of the United Nations Conference on Trade and Development (UNCTAD) was called only after extensive soundings suggested that a new conference would be a success.

But the optimism about achieving a breakthrough in the North/South dialogue which emerged at a Commonwealth Ministers meeting in London in the summer has given way to the more gloomy view that this meeting could end in failure as well.

Industrialised nations agreed on their negotiating position at an OECD meeting that ended in Paris on Tuesday. The package they have to offer, though an advance on previous terms, is likely to be turned down by most developing nations, which they do not see sufficient economic or political advantage in the OECD proposals to make a compromise worthwhile.

The developing nations are divided among themselves but their group position has hardened since the recent breakdown of discussions between the two sides on the role of the UN Overview Committee on North/South issues. Developing nations, for example, wanted the committee to play a direct part in negotiations over access to markets, debt and the transfer of resources, while the U.S. in particular insisted that these were questions for discussion in already established institutions.

A further obstacle to agreement is that the U.S. Congress is not prepared for significant concessions and the Administration sees little gain in pressing Congress too hard on the Fund or on other North/South issues.

Among developing nations, the resumed Common Fund meeting is seen increasingly as a test case of the West's willingness to negotiate on international economic issues of interest to the South. Another breakdown in an atmosphere of acrimony, according to a senior diplomat in touch with both sides, risks the postponement of the important UNCTAD V conference in Manila next May, which is due to review relations between industrialised and developing countries over the last four years. This diplomat argues that a growing number of developing countries see no point in pursuing discussions that seem to lead nowhere. Although postponement of UNCTAD V seems unlikely, the outcome of the Fund negotiations will clearly be a major influence on the mood at Manila.

Western officials, however, see some optimism for the Fund in the progress being made towards an international rubber agreement. Negotiations on this resume on November 13 and their progress is closely linked with that of the Fund. The major point of difference is the U.S. wish for a rubber buffer stock of 700,000 tonnes against the consensus amongst most other producers and consumers that 400,000 tonnes will suffice.

The major shift in the position of the industrialised nations over the Fund since last December's negotiations is that they are now ready to consider that some of the financing for it come from direct Government contributions. Earlier, the U.S. had rejected this outright. A French proposal, supported by most other EEC members, is that \$200m of a proposed \$1bn Fund (compared with UNCTAD's original proposal for a \$6bn Fund) should be financed from direct contributions.

Industrialised nations, however, will not accept the principle of direct contributions at the outset until they can get agreement on the form such financing will take and for what it will be used. The Western view is that this "seed" capital should be considered as covering head office expenses and not used as a security for further borrowing.

For developing nations, the principle of direct Government contributions is considered essential if the Fund is to attain credibility as a new international institution.

A further area of controversy will be over the setting up of a "second window" for lending on concessional terms. The Western view is that contributions must be voluntary (the U.S. will not subscribe) and the scope of its activities clearly defined. In practice, such a second window would be of little benefit to the poorer African countries which have been the most vociferous in pressing for it.

The West's view remains that individual commodity organisations must be the pivot of any system to stabilise commodity prices. The financing of these organisations is still in dispute, as is their relation to the Fund.

Cocoa, rubber and tin are seen as the three commodities on which a Common Fund could be based with coffee, sugar, tea, jute and copper as other possible candidates.

MOROCCO'S ECONOMY

Danger of lop-sided development

BY SUSAN MORGAN, RECENTLY IN RABAT

LAST MONTH King Hassan opened the new session of the Moroccan parliament with a speech which foreshadowed significant changes in the kingdom's economic policies. "I will not hide from you the fact that if we continue alon gthe same lines as before," he said, "we will end up with a society in which the poor will be very poor and the rich excessively rich—and this gap will inevitably be transformed into class differences on a scale our country has never known."

King Hassan was explicitly recognising the failure of the government's economic programme, but at the same time he was giving voice to a growing fear in the country that unless urgent steps are taken to correct some of the most glaring economic and social disequilibria Morocco could find itself following the same turbulent path as Iran. The outburst against the Shah throughout Iran has clearly had a sobering effect on Morocco's ruling elite and caused serious questioning of the advisability of imitating the Iranian-Brazilian model of rapid, ambitious, capital-intensive industrial development. Official Morocco has suddenly woken up to the danger of lop-sided development and a mass rural exodus; the new catchphrase is "Small is beautiful."

The new economic policies proposed by the King reflect more the exigencies of Morocco's current financial difficulties, however, than the results of any fundamental rethinking of economic goals. The new austerity programme with its reduced targets and scaled-down expenditure is officially seen as only a corrective pause before the earlier strategy of capital-intensive development is resumed at the beginning of the 1980s. But no one in Morocco is denying that the 1973-77 economic programme went badly wrong.

Four major adverse developments drove the economy into a steep recession last year from which it is only slowly recovering. First, phosphate export earnings (accounting for about 40 per cent of total export earnings) were nowhere near as high as had been hoped. World demand and prices declined up to 1977 contrary to the Moroccan Government's assumptions in 1973. Even though exports increased in volume last year by 7.5 per cent to 17.5m tonnes, earnings dropped by 5.4 per cent to \$543m because of weak prices. But instead of adjusting expenditure to meet this unexpected situation, the Government has consistently resorted to foreign borrowing to make up the shortfall. Thus external public debt rose from \$1.5bn in 1975 to \$3.6bn in 1976 and is expected to reach \$5bn this year. The debt service to export ratio has also soared, and is estimated at 22 per cent for 1978.

The second major upset was the decline in agricultural production in a series of poor harvests. Morocco has been forced onto the world grain market for greater wheat imports than had been anticipated and the price of food imports this year is put at \$200m. Third, Morocco was affected by the worldwide recession, particularly in Western Europe, which further cut into hoped-for export earnings.

And as if the economic climate has not been bad enough for Morocco's development plans, the country has been lumbered with an increasingly costly military conflict with Algerian-backed Polisario freedom fighters in the Western Sahara, officially a Moroccan province. Quite how much the Sahara war is costing in financial terms (let alone in the drain on skilled labour and management) is difficult to quantity but Morocco's defence spending has almost trioled since 1975 to \$722m this year. Nor would a solution to the Sahara crisis immediately relieve the defence burden since much of it is taken up with unrelated military purchases such as the 50 Mirage fighters on order from France (at a cost of \$650m) and a Westinghouse air defence radar network (costing \$250m). However, King Hassan's troops in Zaire are believed to be paid for by Belgium.

The outburst against the Shah has sobered Morocco's ruling elite about the merits of imitating Iran or Brazil with ambitious, capital-intensive industrial development.

The result of these economic reverses has been a decline in real GNP growth from a record 8.6 per cent in 1976 to only 1.3 per cent last year—lagging well behind the annual population increase of 2.9 per cent. The foreign trade deficit grew from \$1.34m in 1976 to \$1.89m last year.

Tightening liquidity, a widening resource gap and slow economic growth persuaded the authorities this year to scrap the ambitious 1978-1982 Five Year Plan and institute austerity measures. The 1978 budget increased taxes, reduced investment and limited overall expenditure to 1977 levels. In March the King announced new austerity measures which included a cut in luxury imports of 20 per cent, and a preferential dirham exchange rate for Moroccan workers in France to encourage even greater repatriation of earnings. This was followed by prohibition of certain imports (which contributed 2 per cent to the 1976 import bill) and licensing restricitions on others (which contributed 25 per cent to the 1976 bill). Many importing companies were also obliged to make a prior 25 per cent deposit on shipments.

The Government is also trying to slow down the growth of money supply and has raised interest rates.

There are already indications that the economy is beginning to recover. The 1977-78 harvest is much better than its predecessors, cost-of-living increases are dropping, exports have gone up by 1 per cent in the first six months of the year while imports have declined by 8 per cent. Now the authorities are committed to encouraging this trend with a new 1978-80 three year plan (which since it has only just been presented to parliament will in reality be little more than a two-year plan). In accordance with the pattern set by the 1978 budget, it features more selective investment with concentration on existing projects. According to Mr. Osman Slimani, Secretary of State at the Economy Ministry, development of the phosphate, phosphoric acid, steel and uranium sectors will receive priority while most other projects will be postponed.

As the man responsible for liaising between the various ministries with economic responsibilities, Slimani is in a position to have an excellent overview of the plan's aims and objectives. He told this correspondent that the chief goal of the plan was to correct the disequilibrium of the 1973-77 period and identified several major areas of urgent concern: unemployment, illiteracy, rural development, tax distribution and inflation.

Officially, unemployment runs at 6-7 per cent, but it is generally reckoned to be more like 30 per cent. This is particularly the case in urban areas which have suffered an influx of people from the countryside. Slimani said that the Government planned to encourage labour-intensive schemes to mop up some of the unemployment.

A series of strikes this year has brought home to the Government the necessity of achieving some balance between prices and wages. Slimani said that this would have to be tackled by keeping down prices rather than raising wages, which would only fuel inflation.

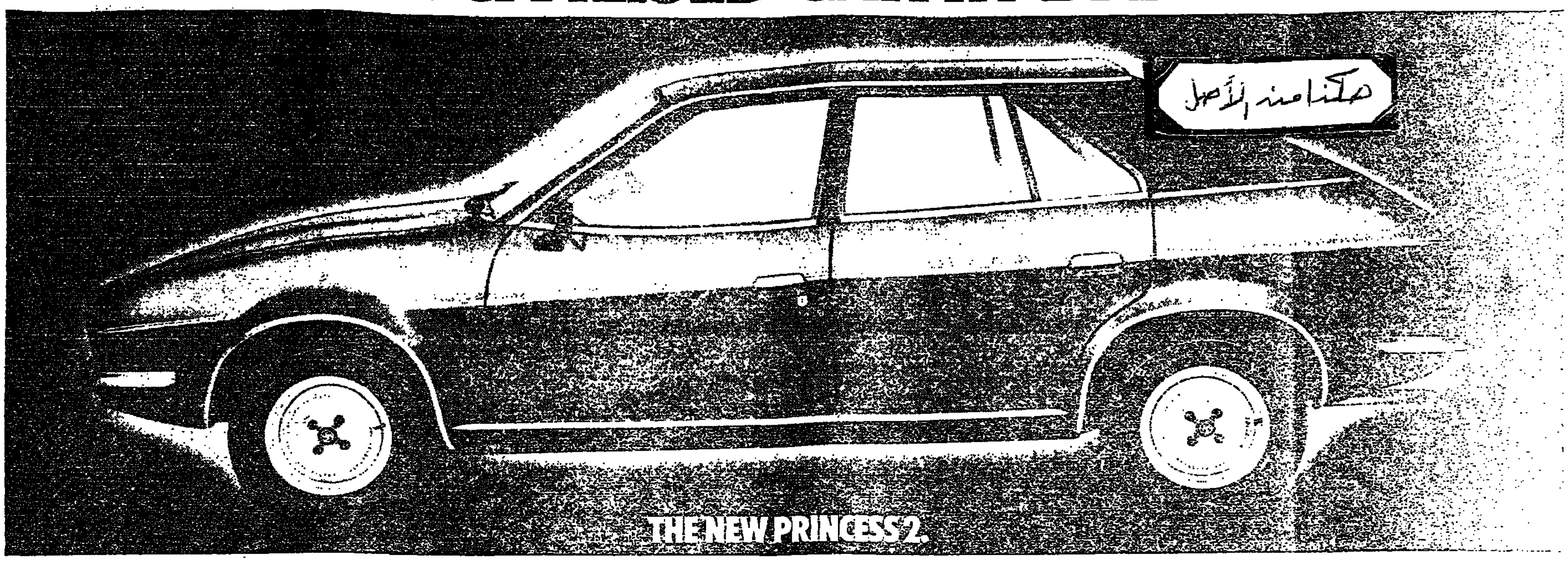
The underlying economic problems facing the Government are massive and will take years to solve. Too much emphasis has been placed on export-oriented agriculture at the expense of self-sufficiency, so that last year exports only covered 60 per cent of the cost of imports. Overall export earnings are still insufficient to cover the costs of economic development, military spending and energy (80 per cent of requirements are imported at a cost of \$290m in 1976). And the decision taken in the early 1970s to finance development through external borrowing makes much less sense today after the disappointing performance of the phosphate sector.

The immediate outlook has its bright spots, however. Agricultural production will probably be up by 36 per cent this year and phosphate exports could earn \$800m if 20m tons are sold abroad. In the longer term, export revenues will be boosted by the major deal completed with the Soviet Union this year on phosphates, fishing and agricultural and industrial commodity exchange. Tourism (the third main foreign exchange earner after phosphates and foreign remittances) is set for improved earnings this year.

There are at last encouraging signs that oil may be found although embarrassed and uncommunicative Energy Ministry officials could not substantiate the claim made by the King in his speech to parliament that enough oil had been discovered to cover domestic consumption.

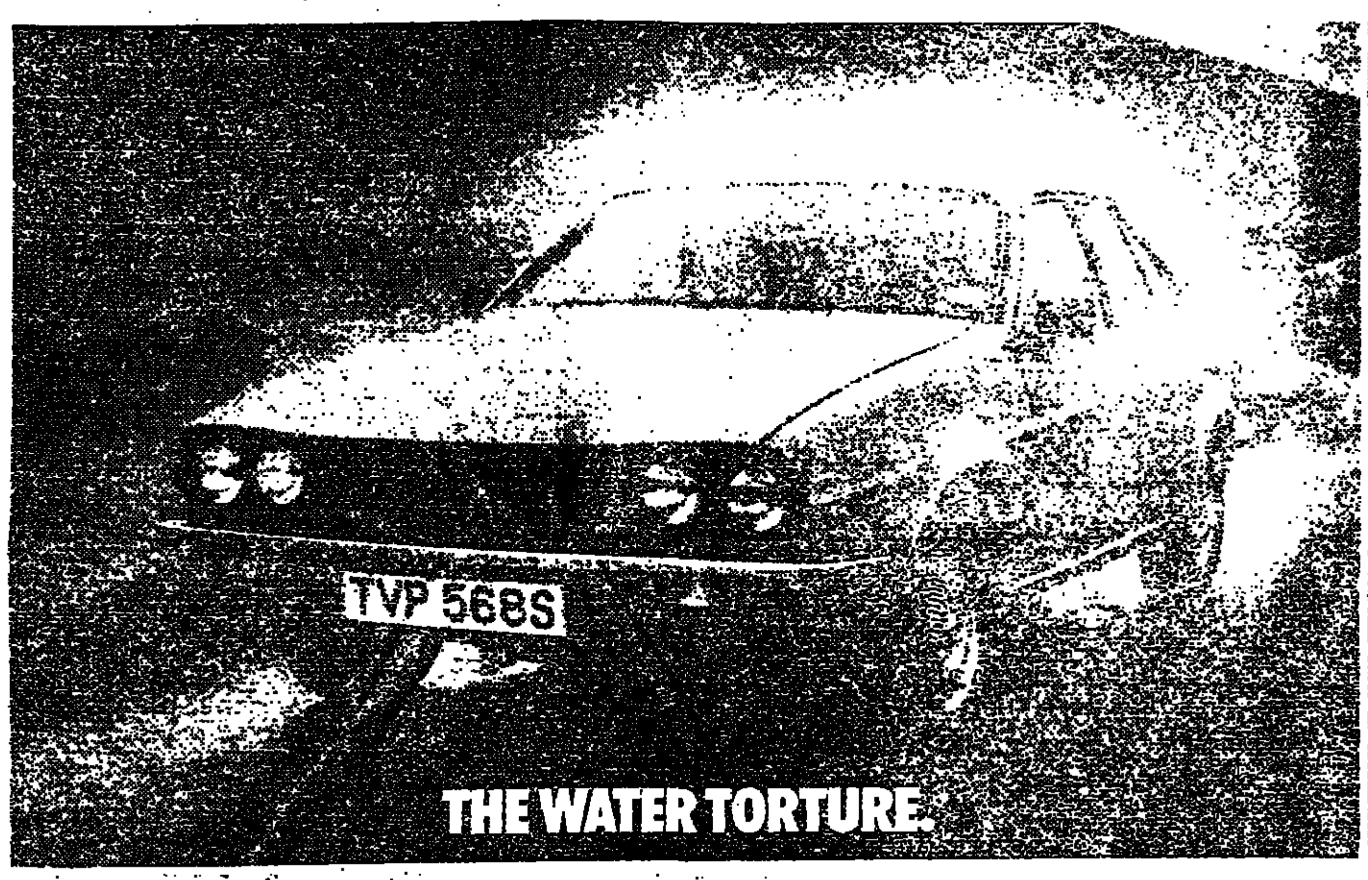
Osman Slimani describes the three-year plan as an opportunity for "pause and reflection." Two to three years austerity are the price Morocco is paying for getting its sums wrong in the past. But for all that a new awareness of the paramount importance of social justice is in evidence, it is still to early to say whether the lesson has been learnt. There is a danger that if austerity and retrenchment succeed, the Government may be tempted again to embark on the path of exclusive capital-intensive expansion to the neglect of less-favoured areas of the economy.

FIRST WE MADE THE MOST CIVILISED CAR IN BRITAIN.



THE NEW PRINCESS 2.

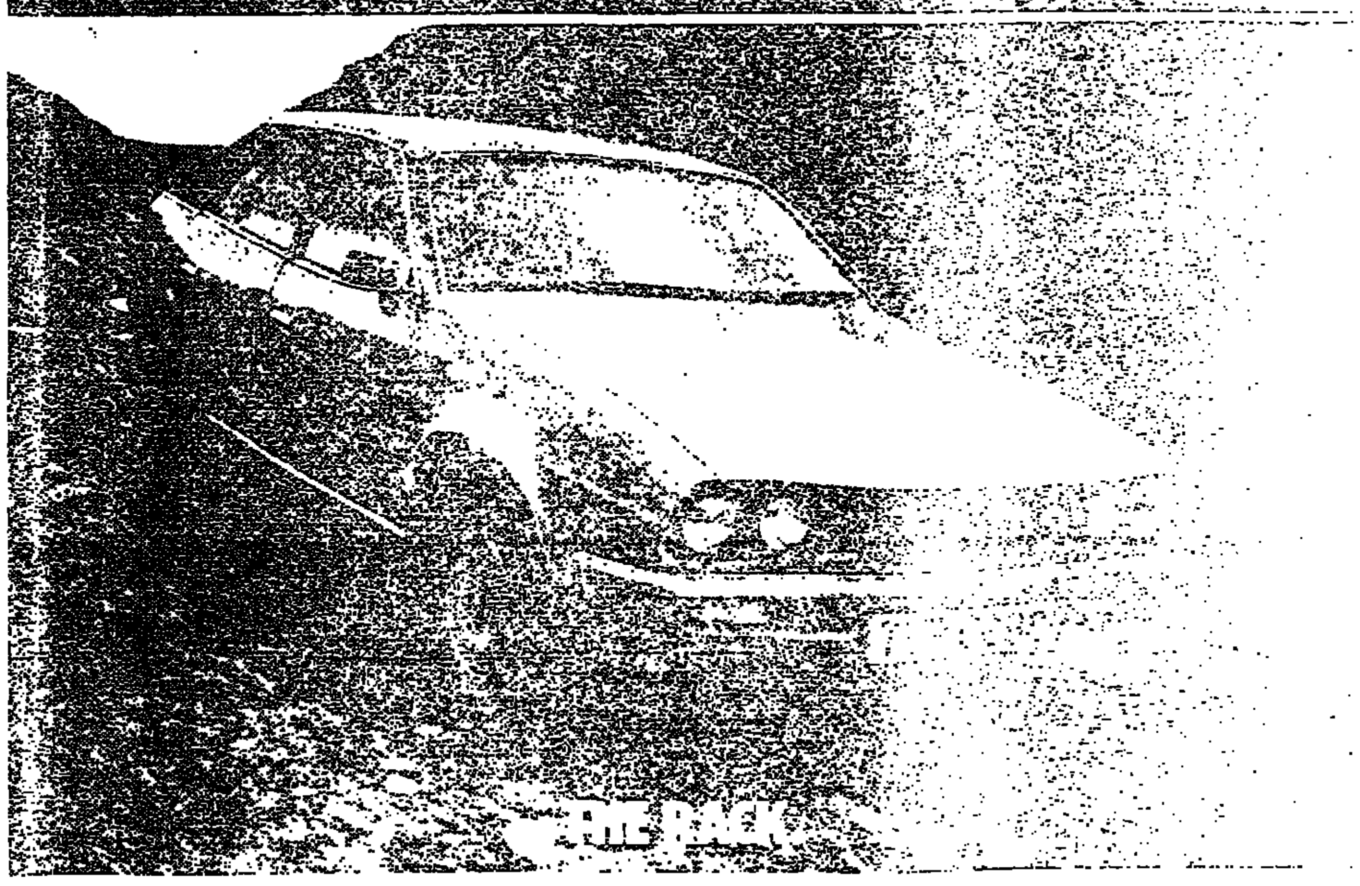
THEN WE TREATED IT LIKE BARBARIANS.



THE WATER TORTURE.

THE NO SLEEP ORDEAL.

TRIAL BY FIRE.



THE RACK.

There are two things we'd like you to know about the remarkable new Princess 2.

That it's the best mannered, most considerate and civilised car that you're ever likely to drive.

And that it's pulled through the most uncouth, back-breaking barbaric treatment that anyone could throw at it.

Consider first of all, the remarkable 'O' series engine you'll find in the 1700 and 2000 models.

We spent 3 years making it into the most civilised unit you'll find under a bonnet.

We gave it an overhead cam, like its six cylinder sister, shorter stroke and aluminium head, to make it quieter and smoother than you'd believe possible.

And thanks to the lighter head and closer tolerances, we achieved the remarkable double of making the engine go faster. While making the petrol go slower.

Then having made it, we tried to break it.

We put it on a test rig. And ran it the equivalent of 1,200,000 miles at temperatures varying between the arctic and the equatorial.

(We even ran it until it was red hot, then poured in cold water to test the gaskets.)

Then we considered the car itself. We kept its distinctive wind-cheating shape. We improved its unique bump-flattening Hydragas* suspension.

And we added a few extra civilised touches. A padded steering wheel.* Another cigar lighter. Radio aerial and twin speakers.

A Triplex 10/20 windscreen, the most advanced windscreen in the world. Choke and hand brake warning lights. Even a glove box, whose door folds down into a small table with recesses to hold cups.

Then we tortured it again. We put it through 500,000 miles of high speed testing in Europe. We gave it an ordeal in the [illegible] of the Arizona desert. The deep freeze treatment in the Canadian [illegible]. The water torture in Scotland. And ran it over the rack-like roads of Kenya.

And finally we took these cars and [illegible] them for a fortnight non stop at up to [illegible]mph for [illegible] miles. That's more miles in two weeks than most people do in two years.

After all this barbaric treatment, you'll understand why we not only have enormous confidence in our civilised car. But also absolutely no qualms about inviting you to take a test drive.

THE NEW PRINCESS 2.

FOR A CIVILISED CAR, IT'S PASSED SOME VERY UNCIVILISED TESTS.

From Austin Morris with Supercover

*All models except the 1700L.

The Princess 2 is available in 5 models, 1700L £3,725.28, 1700HL £3,[illegible], 2000HL £4,050.00, 2200HL £4,[illegible], 2200HLS £4,[illegible]. Prices include front seat belts, car tax and VAT. Delivery and number plates [illegible].

WORLD TRADE NEWS

Peking in oil deal with Japan

BY RICHARD C. HANSON

TOKYO, Nov. 9.

JAPAN has won agreement with China for exclusive exploration, development and production of oil resources in a 20,000 sq km sector of Pohai Bay.

The Japan National Oil Corporation (JNOC), a Government agency, will sign the agreement next month.

Negotiations on the project have been underway since late September. JNOC this week presented the plans so far to an oil company association, composed of 24 Japanese oil development companies which may participate. The entire development is considered a national project by Japan.

The Pohai Bay exploration—in water 40 to 200 metres deep—and development costs will be paid for by China in crude oil shipments to Japan once the fields begin producing successfully. The Japanese will finance the costs of development.

JNOC declines to put a cost estimate on the project, as details remain to be worked out, but Press reports estimate that Japan will supply about $10bn in machinery. China will ship an estimated 100m tons of crude to Japan in return.

It is projected that the Pohai Bay fields under development could produce about 2m tons annually as early as 1980, with production rising to as much as 30m tons by 1990. The entire Pohai Bay area extends for 77,000 sq km, equivalent in size to Japan's northern island of Hokkaido. Development initially will be only in the southern part.

● China and Brazil have reached agreement on a major trade deal involving exports of crude oil from China to Brazil and imports by China of Brazilian iron ore, pig iron and steel products. Shigeaki Ueki, the Brazilian Mines and Energy Minister, said today. Confirming earlier reports from the New China News Agency. Reuter reports from Peking.

Intercontinental to build chain of hotels in China

BY JOHN WYLES

NEW YORK, Nov. 9.

CHINA's increasing need for Western skills and technology has been extended to include hotel operations following a landmark agreement with Intercontinental Hotels, a Pan American World Airways subsidiary, to build a $500m chain.

All leading Chinese cities suffer an acute shortage of hotel accommodation and last month Pan Am's chairman, Mr. William Seawell, visited Peking to explore the reported interest among the Chinese leadership in laying the base for a greatly expanded tourist industry.

An agreement announced in Hong Kong yesterday providing for the construction of a 5,000 room hotel chain appears to be the fruit of Mr. Seawell's talks with Vice Premier Teng Hsiao Ping and other Chinese officials.

In outline, the plans call for the construction of 1,000 room hotels in Peking, Shanghai and Canton with others being considered for Hangchow, Kweilin, Sian, Nanking, Soochow and Tientsin.

The cultural implications cannot be underestimated for Intercontinental, like other U.S. hotel chains, aims to provide an oasis of the American way of life.

Although they will be 100 per cent owned by the Chinese Government, the Intercontinental Hotels, like its others either owned or operated in 49 countries around the world will feature saunas, Turkish baths, restaurants and banqueting facilities.

Intercontinental will operate the hotels, eventually with Chinese personnel. The estimated capital construction costs of $500m will be borrowed abroad by China with Intercontinental making the credit arrangements which will be guaranteed by the Bank of China.

The agreement has been put together with the help of the Hong Kong based Chinese architect Mr. Henry Liu, who was involved in the week-long negotiations in Peking between Intercontinental and officials of the China International Travel Service and the General Administration for Travel and Tourism of China.

The accord was signed by Mr. Paul Sheeline, Intercontinental's chairman and chief executive officer and the head of the China International Travel Service, Mr. Yuan Chao-Chun on Monday.

Mr. Sheeline said today that he understands the Chinese may want a total of 30,000 hotel rooms. Other hotel chains would undoubtedly become involved in China. He speculated that Intercontinental's contract, which provides a fee based largely on the profitability of the hotels, might last at least 10 years.

Intercontinental's presence in China could well hasten the start of scheduled air services between the U.S. and China for which Pan Am is presently seeking authority.

Wang sees Harrier jets

BY COLINA MacDOUGALL

THE CHINESE Vice-Premier, Wang Chen, on a ten-day tour of Britain, flew yesterday to the British Aerospace factory at Dunsfold, in Surrey, where he watched a short demonstration of the Hawker Harrier jump jet fighter, the Sea Harrier, the Harrier GR Mark 3, and the Hawk.

Later, at the company's other plant at Kingston, the Chinese mission was given a presentation on both civilian and military aircraft built by British Aerospace.

Today Vice-Premier Wang is due to visit the Rolls-Royce plant at Derby, where he will be briefed on all aspects of the company's operation. The Chinese have previously shown interest in the RB 211 and in industrial and marine engines, which they are expected to see today.

Rolls-Royce has a long-standing relationship with China. This includes the deal signed three years ago for the supply of the military version of the Spey engine and a production line in China. Before that Rolls-Royce supplied engines for Trident and Viscount aircraft in the early 1970s and mid-1960s.

● Eighteen British companies exhibited at the International Agricultural Exhibition which ended last Friday in Peking. A wide range of British equipment and products relevant to China's agricultural development was shown, including tractors, irrigation equipment, spraying machines, hydraulic equipment, cultivators, sugar beet harvesters, shearing and clipping equipment, fertilisers, insecticides and vaccines.

S. Africa approves £105m diesel plant

By Quentin Peel

JOHANNESBURG, Nov. 9.

THE South African Government today announced approval for a R180m (£105m) diesel engine manufacturing plant, one of the biggest industrial projects in the country in recent years, and one which could result in a substantial re-organisation of the commercial vehicle industry.

Mr. Chris Heunis, the Minister of Economic Affairs, said technical assistance agreements for a comprehensive range of diesel engines had been signed with Daimler-Benz and Perkins Engines, following feasibility studies submitted by eight commercial vehicle assemblers, including Leyland South Africa.

The plant, to be sited at Atlantis, near Cape Town, will have a capacity of 50,000 diesel engines a year, and could cost R260m (£153m) by the time it is completed in 1983, he said.

The whole exercise is seen as of major strategic importance in making South Africa independent of external sources, providing new technology, and saving some R130m (£76.5m) in foreign exchange each year. Although industry sources have questioned the financial viability of the project, Mr. Heunis said the engines, especially larger ones, could be economically manufactured.

Mr. Heunis's announcement followed a study by the Government's Industrial Development Corporation (IDC), which invited feasibility studies from the commercial vehicle industry in South Africa. Besides Leyland (now part of the Sigma Leyland Group), the companies involved were Fiat, Ford, Man, Perkins, Cummins, United Car and Diesel (Mercedes Benz) and Messina.

According to the announcement, the Government will contribute R100m (£58.8m) as a direct grant from its decentralisation fund, and the IDC will underwrite the whole project. Mr. Heunis said the project would stimulate industrial development in the Western Cape, providing at least 1,100 skilled and semi-skilled jobs. It would provide "further impetus" to the motor industry, already showing signs of revival, and result in considerable new investment—estimated at something in excess of R100m

Power for Ecuador

Hawker Siddeley Power Engineering, a unit of the Hawker Siddeley Group, has received a contract valued at £1m from Empresa Electrica Quito, of Ecuador to supply and install electrical substations in Quito, the company said, AP-DJ reports.

FIBRES INDUSTRY

Problems for Europe over agreement to cut capacity

BY RHYS DAVID

LIKE the lady in the song, the European Commission is finding it difficult to say yes and difficult to say no to the agreement drawn up by the European fibre industry for lightening its burden of over-capacity and heavy losses.

The fibre producers began their talks this time last year after losing collectively more than $2bn in three years, and helped by M. Etienne Davignon, the European Commissioner for Industry, came up with their proposal in May: a reduction in capacity all round of 15 per cent, but a special deal for the Italians who were proposing to increase their capacity. Market shares for the next three years would be allocated so that the Italians in return for agreeing to cut back could be guaranteed a bigger share of the market when it began to grow again.

The arrangement, which has the backing of national governments within the EEC and support from other West European countries with fibre industries, foundered in May on the objections of the EEC's competitions department, which was none too happy at the market sharing proposal, which was seen as setting a dangerous precedent.

Commission officials have since spent the summer conducting a further investigation into the state of the industry and met this week to pronounce on the pact. Their verdict, as the industry had been fearing in recent weeks, is ambivalent. As it stands the crisis cartel is not compatible with article 85/3 and hence cannot be legitimised by the Commission.

Evidently impressed however, with the case the industry has put forward—and perhaps conscious too that it was the Commission in the shape of M. Davignon which encouraged the industry to draw up its original proposal—the Commission has not entirely closed the door.

The Commission wants further talks to see whether the agreement can be modified to make it acceptable. This could mean legislation under article 87 of the Rome Treaty to sanction deviation from the community's strict competition rules. The Commission seems also to be saying, however, that while it may be willing to find means of sanctioning agreed capacity reductions it remains opposed to market-sharing agreements.

It is a judgment which the fibre producers find only partially to their liking. The principle of a crisis cartel would seem to have been accepted despite continued objections from M. Vouel at the competitions directorate, but its effectiveness will be limited if the market-sharing agreement is excluded.

The reasons for this are to be found in the moves which the respective fibre groups in the various EEC member countries have made since the recession first hit the industry in 1975. In the UK, West Germany, Holland and more recently France, considerable capacity reductions have already taken place.

The restructuring of the Italian fibre-making sector has been much slower and has been bedevilled by the plans of some of the smaller groups in Italy to bring on stream major increases in capacity. The market-sharing formula was intended to provide a European framework within which restructuring in the Italian fibres industry could take place. With Commission backing, the Italian Government would have been able to push through the closure of old plants and the Italian industry would in return for limiting its expansion plans have been given a guaranteed increased share of the European market in 1981.

The fear among other producers will now be that without this guarantee the pressure on Italian producers to conform will be reduced.

There are, therefore, the makings of an impasse when the Commission begins its discussions with the industry on what should happen next. The industry's view will be that the agreement, painfully worked out in months of inter-company discussions, matches its requirements and will be weakened perhaps fatally by amendment.

Malta yesterday hit back at restrictions on textile sales to Britain by banning all imports of British textiles and ordering the immediate closure of British Council facilities in Valletta, Reuter reports from Valletta. The move followed a decision earlier in the day by the European Commission to limit certain Maltese textile exports to the UK after the two countries failed to agree on ceilings for some items.

'Great depression' if GATT talks fail

BY REGINALD DALE

FAILURE OF the Tokyo Round of multilateral trade negotiations could provoke a world-wide recession comparable with the Great Depression of 1929 to 1931, Sir Eric Wyndham White warned yesterday. This could lead to the breakdown of the capitalist system predicted by Karl Marx. Sir Eric said during a visit to London.

Sir Eric, a former GATT Director-General now advising the Canadian delegation in Geneva, expressed his concern at the lack of public interest in the outcome of the Tokyo Round. The 99-nation trade negotiations were far more important for the future of the West than strategic arms limitation talks (SALT) between Moscow and Washington, he said.

The world today faced the same conditions as in 1929, with competitive devaluations, rising unemployment and recession in the most industrialised countries, Sir Eric said. The only difference was that Governments were so far generally succeeding in holding protectionism at bay.

Sir Eric said it would be a tragedy if the chance of a new trade agreement were not grasped—the opportunity would not occur again for at least five to ten years. He expressed concern at reports in Geneva that the UK might be happy to settle for a "mini-package," but pointed out that Mr. Robert Strauss, the U.S. special trade negotiator, had said he would not take anything other than a major agreement to Congress.

It was unrealistic to expect the EEC to make major concessions on the operation of its Common Agricultural Policy during the Tokyo Round—such concessions would not be made under negotiating pressure. But he thought that the sheer cost of the CAP would lead to its liberalisation in due course. He thought that discussions of agricultural policies and their effects could continue in a new GATT consultative committee.

OECD fails to end shipyards deadlock

By Ian Hargreaves

PARIS, Nov. 9.

SHIPBUILDERS in the developed world failed here today to agree on a concerted approach to the problem of growing shipyard capacity in developing and Communist countries.

In spite of a newly commissioned study showing that these countries could establish a firm one-third share of the world shipbuilding market in the early 1980s, governments represented at the shipbuilding working group of the Organisation for Economic Co-operation and Development rejected the idea of involving Third World countries in their discussions.

The decisive factor in the matter, which has been under discussion within the OECD for two years, was the continued intransigence of the Japanese.

Japan argued that any attempt to suppress the industrial ambitions of developing countries would endanger its wider political relations with the developing world.

Japan also has a substantial stake in the fastest-growing Third World shipbuilding country, South Korea.

Some European delegates, including representatives of the European Commission, had hoped that Japan's recent agreement to bring non-OECD countries into the organisation's discussions on the steel industry had prepared the ground for a change of heart on shipbuilding.

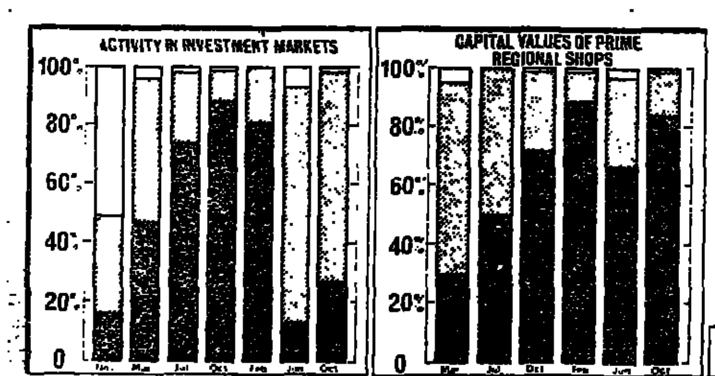
The OECD study shows that by 1981 Third World countries will have shipbuilding capacity of around 5m gross registered tons (grt) increasing to between 5.6m and 7.3m grt in 1985. With the effective world market averaging only about 23m grt a year in the period studied, the report concludes that OECD shipbuilders face a possible 30 to 40 per cent reduction in output compared with the peak year of 1975.

Credit for Mexico

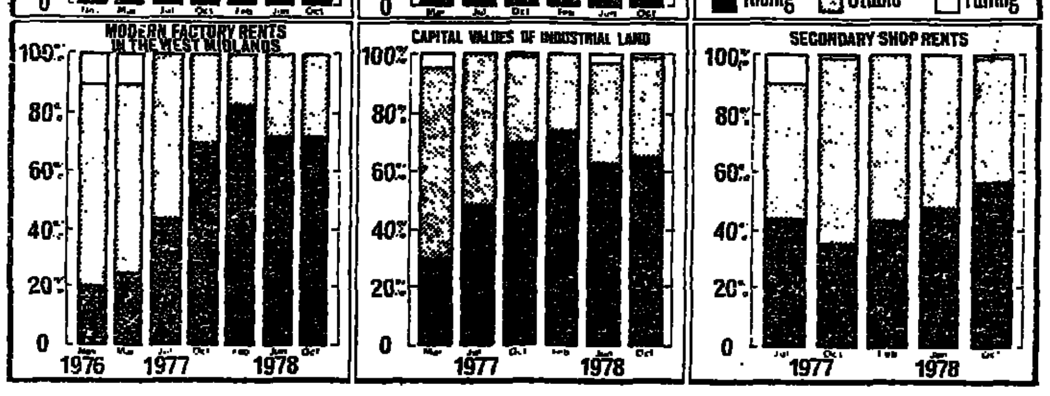
Barclays International has made available a line of credit worth $20m to National Financiera, the Mexican Government development bank, under a guarantee by the Export Credits Guarantee Department, William Chislett, reports from Mexico City.

The money will be made available to Mexican companies which import British capital goods and related services worth more than $200,000 at a preferential fixed rate of 7.25 per cent a year. The credit period will be five years from the end of each exporters obligations.

Property Market Indicators



● A poll by the Royal Institution of Chartered Surveyors *RICS member firms and investing institutions in all regions were asked if there was a rising (R), static (S) or falling (F) trend in rents, investment yields, capital values and investment activity for different classes of commercial and industrial property.*



AREAS Compared with three months ago:		LON. CITY %	WEST END %	REST GLC %	SE (EX-LON.) %	N %	NW %	EAST ANGLIA %	YORKS. & HUMBER %	EAST MIDS. %	WEST MIDS. %	SW %	SCOT. %	WALES %	N. IRE. %	NATIONAL %
QUESTION 1. What is the trend of rents?																
(a) Offices	R	70	95	82	73	33	57	8	22	19	44	28	33	73	67	51
	S	30	5	18	27	67	43	92	78	81	56	72	67	27	33	49
	F	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(b) Prime Regional Shops	R	82	100	100	88	100	100	92	82	93	87	74	100	91	100	91
	S	18	—	—	12	—	—	8	18	7	13	26	—	9	—	9
	F	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) Secondary Shops	R	42	71	50	65	75	47	75	35	53	50	58	73	45	100	56
	S	58	29	50	35	25	53	25	65	47	43	42	27	55	—	43
	F	—	—	—	—	—	—	—	—	—	7	—	—	—	—	1
(d) Modern Factories	R	25	100	100	85	42	69	77	63	55	72	72	36	50	—	67
	S	75	—	—	15	58	31	23	37	45	28	22	64	50	100	32
	F	—	—	—	—	—	—	—	—	—	—	6	—	—	—	1
(e) Modern Warehouses	R	25	87	100	85	50	75	77	72	55	72	78	67	80	100	73
	S	75	13	—	15	50	25	23	28	45	28	22	33	20	—	27
	F	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
QUESTION 2 What is the trend of investment yields?																
(a) Offices	R	5	—	—	4	—	—	8	6	14	—	—	—	—	—	3
	S	70	59	62	70	58	50	77	69	57	67	88	83	36	—	65
	F	20	41	38	26	42	50	15	25	29	33	12	17	64	100	32
(b) Prime Regional Shops	R	—	—	—	—	8	—	8	12	7	—	—	10	8	—	3
	S	69	42	62	65	54	53	54	50	40	56	71	30	33	—	53
	F	31	58	38	35	38	47	38	38	53	44	29	60	59	100	44
(c) Secondary Shops	R	—	—	—	—	—	—	—	13	8	—	11	11	—	—	3
	S	91	76	83	88	92	94	85	67	84	93	78	78	83	50	84
	F	9	24	17	12	8	6	15	20	8	7	11	11	17	50	13
(d) Modern Factories	R	—	—	—	—	14	6	—	—	—	—	6	11	9	—	3
	S	78	67	79	82	79	78	85	72	65	72	59	67	73	—	73
	F	22	33	21	18	7	16	15	28	35	28	35	22	18	100	24
(e) Modern Warehouses	R	—	—	—	—	14	6	—	—	—	—	6	9	9	—	3
	S	78	67	79	82	79	78	85	67	65	72	53	64	55	67	72
	F	22	33	21	18	7	16	15	33	35	28	41	27	36	33	25
QUESTION 3 What is the trend of capital values?																
(a) Offices	R	63	83	77	75	50	57	28	41	33	44	33	33	73	100	55
	S	37	17	23	25	50	43	72	59	67	56	61	67	27	—	44
	F	—	—	—	—	—	—	—	—	—	—	6	—	—	—	1
(b) Prime Regional Shops	R	64	94	100	77	83	81	85	93	88	88	56	100	92	100	84
	S	36	6	—	23	17	19	15	7	12	12	39	—	8	—	15
	F	—	—	—	—	—	—	—	—	—	—	5	—	—	—	1
(c) Secondary Shops	R	42	71	55	50	57	40	57	44	47	47	61	64	42	67	52
	S	58	29	45	50	43	60	43	50	53	53	33	36	58	33	47
	F	—	—	—	—	—	—	—	6	—	—	6	—	—	—	1
(d) Modern Factories	R	25	75	86	81	43	65	64	65	56	58	58	36	55	100	62
	S	75	25	14	19	57	35	36	35	44	37	37	55	45	—	37
	F	—	—	—	—	—	—	—	—	—	5	5	9	—	—	1
(e) Modern Warehouses	R	25	78	86	82	43	65	64	80	56	61	65	58	73	67	66
	S	75	22	14	18	57	35	36	20	44	33	30	33	27	33	32
	F	—	—	—	—	—	—	—	—	—	6	5	9	—	—	2
(f) Industrial Land	R	50	86	77	88	38	56	75	62	50	67	61	45	67	100	65
	S	50	14	23	12	62	44	25	38	50	27	39	55	33	—	34
	F	—	—	—	—	—	—	—	—	—	6	—	—	—	—	1
QUESTION 4																
Activity in investment markets	R	29	39	29	20	21	35	15	33	6	6	28	33	50	100	27
	S	71	61	71	80	79	59	85	67	94	94	67	67	50	—	72
	F	—	—	—	—	—	6	—	—	—	—	5	—	—	—	1

No Dutch auctions

A STABLE summer has given way to a stable autumn in the property market. After Spring's near unanimous reports of sharply rising rents and falling investment yields, surveyors throughout the country now confirm institutional investors' reluctance to chase yields lower.

Institutional demand for prime properties remains strong. But in a thin market, with very few good quality properties available, the funds appear willing to allow rent increases to support capital values rather than entering a Dutch auction on yields.

This view of the market emerges from the ninth national poll of surveyors carried out by The Royal Institution of Chartered Surveyors in conjunction with the Financial Times.

The latest poll, which tested opinions at the end of October, not only kills any remaining speculation about an "overheated" investment market. It also confirms a continued, if still highly selective, rise in commercial rents.

On a national basis, 72 per cent of the firms polled felt that the investment market is now static. That is 8 per cent less than the June total. But the latest figure is best compared with the February poll when over 80 per cent of the firms reported that investment activity was on the increase.

This sharp change, from activity earlier in the year to a stable market in the summer and autumn, would suggest a decline of institutional interest in property but for the remarkably consistent trend in investment yields in the last two polls.

Both in the summer and in the October polls firms reported either stable, or falling yields, which is clear evidence of continued buying. Combined with the reports of investment market inactivity, this evidence suggests that it is the shortage of good properties at acceptable prices rather than funds' indifference to property investments that is keeping the market from overheating.

Rent movements are, therefore, setting the pace for property values at the moment. And in looking at rents the latest poll shows that the outstanding performance of prime shop rents over the past year shows no sign of failing.

Central London surveyors remain highly confident about prime shop rents, as everyone polled feel that West End rents are still rising, a feeling shared by all the firms considering prime shops in the whole of the Greater London Council area. Througout the country prime shops rate the most confident, upward rental trend of any type of property with a national vote of 91 per cent for rising rents, 4 per cent up on the June figure.

Secondary shop rents are also beginning to enjoy the effects of a spill-over from the High Street spending boom. In June, 52 per cent of the firms polled believed that secondary shop rents were static, now 56 per cent believe that they are on the rise and, as with prime shops, some of the strongest rental growth is recorded in London and the South East.

The strength of the South East letting market also shows through in industrial property. Overall, modern factory and warehouse rents continue to rise with 67 per cent of the national poll reporting a rising rental trend for factories compared to 53 per cent last time, and 73 per cent reporting higher warehouse rents compared to June's 55 per cent. But the South East remains the most marked area of rental confidence.

All the firms polled report that factory and warehouse rents are rising within Central London, and 85 per cent believe they are rising in the rest of the South East. But the figures become less clear-cut the further one moves from the capital with a 58 per cent vote for static factory rents in the North, and 64 per cent for static rents in Scotland.

The picture of office rents is rather patchy. Enthusiasm for City offices has faded slightly. June's 90 per cent vote for rising City rents falling to 70 per cent. But in the West End, office rents continue to power ahead. June's 75 per cent report of rising rental trends turned into a 95 per cent rising trend this time.

One of the most dramatic increases in confidence in office rents covers properties in the rest of the Greater London Council area June's 38 per cent "rise" and 62 per cent "static" poll becomes an 82 per cent rising trend in October, with just 11 per cent of the surveyors reporting a static market.

An equally dramatic turnround is reported in the West Midlands. In June, 82 per cent of the West Midland firms believed that office rents were static. By October, half that number had changed their minds with a 44 per cent poll for rising rents.

As letting demand, and hence rents, lies at the heart of the commercial property market, surveyors were asked in this poll to say whether they believed that current demand arises primarily from reorganisation of existing businesses, or from genuine business expansion.

The source of letting demand is one of the key questions for the market at the moment. Is there really a mass of pent-up demand for commercial property that will take up the remaining slack in the market once industrial confidence returns? Or is the economic and political outlook still too cloudy for space users to consider expansion? The surveyors' answers suggest that there is now a reasonable balance between reorganisation and genuine expansion in recent lettings.

In the retail market most agents throughout the country feel that new lettings are a result of genuine expansion. Genuine expansion is also seen as the prime force behind warehouse lettings, although the further away from the Capital, the less definite the surveyor's answer. Reorganisation appears to account for the majority of the new, larger factory lettings. Not surprisingly, most surveyors report that new first time demand for factories and so most of the genuine expansion at the moment tends to be limited to younger industries needing relatively small units.

In the City and the West End surveyors are fairly evenly divided about the direction of letting demand for offices. West End agents tend towards the view that space is being taken by firms improving the quality of their offices, while City agents see overseas tenants as the prime source of new lettings.

One common theme to emerge from both the industrial and office reports is that tenants are becoming increasingly conscious of the need for modern premises in order to retain staff and to improve the efficiency of their business.

Overall, the October survey provided few surprises. Surveyors confirm the current stability of both the letting and investment markets and they do not see any particularly dramatic changes on the horizon. After a hectic first quarter, the property market seems to have settled down to a quiet winter.

J B

Borrowing need still at double last year's level

BY MICHAEL BLANDEN

CENTRAL GOVERNMENT repaid a modest amount of debt last month, but the level of its borrowing requirement so far in the current financial year still runs at more than double the rate last year.

For October, central government repaid an estimated £155m. This compared with a repayment of £29m in the same month last year, and a heavy £1.25bn borrowing requirement in September. The figure was rather better than some City observers expected.

For the first seven months of the year central government borrowing requirement is put at £4.73bn, against £1.98bn in the same period of the previous year. The increase, well over 100 per cent, compares with a Budget forecast rise for the current year as a whole of about 79 per cent.

The rise in borrowing requirement is due partly to differences in timing of tax cuts this year compared with 1977.

Most tax cuts announced earlier this year have come through, though there will be a further impact in coming months, whereas last year much of the affect was delayed until the second half.

The receipts by the Consolidated Fund are therefore still slightly below target. Last month Consolidated Fund revenue was £3.98bn, up by £437m compared with October 1977. Inland Revenue receipts were up by £285m and Customs and Excise by £212m.

For the seven months from April to October total revenue was up by £1.87bn, or 9 per cent. This compared with a Budget forecast of a rise of 10 per cent to £42.7bn for the full year.

On the other side Consolidated Fund expenditure over the seven months, at £28.39bn, was up by 20 per cent compared with last year. This was ahead of the Budget forecast of a 17 per cent rise for the full year.

One of the main reasons for the higher spending is a large increase in cost of servicing the National Debt. In the first seven months of the year a total of £1.67bn was met from the Consolidated Fund, compared with £882m in the same months of last year.

Car output plunges

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE IMPACT of the Ford strike on UK vehicle production is starkly illustrated today by statistics from the Department of Industry.

Provisional estimates show that the seasonally adjusted output of cars dropped more than 27 per cent from the September level of 81,000.

Production of commercial vehicles dropped by 25 per cent compared with September to 24,600.

Vehicle output has rarely fallen to this level. The figures show how great an opportunity is opening up for Continental importers because vehicle sales are extremely buoyant.

Car registrations in October were the best for the month since 1973, and more than 9 per cent ahead of October 1977. The latest commercial vehicle statistics were for September, and sales were 28 per cent up on the same month last year.

Even before the Ford dispute began, vehicle production had been lagging. Car output was hit by problems at Vauxhall's Ellesmere Port plant and a number of Chrysler factories. Commercial vehicle production felt the adverse impact of the dispute at BL's Bathgate plant.

Output of cars in the latest quarter at 102,000 was significantly below the 1977 monthly average of 110,000. And the November performance cannot be expected to improve matters because the Ford strike continues and BL car production has also been affected by pay disputes.

The average monthly output of commercial vehicles, at 29,400 for the three months to the end of October, was 11 per cent below the average of 33,200 achieved in 1977.

Clarke Chapman boiler contracts

BY JOHN LLOYD

THE CLARKE CHAPMAN subsidiary of Northern Engineering Industries, the power plant group, has been told by the Central Electricity Generating Board that it will receive contracts worth about £120m.

The Board has asked the company to design and supply four boilers for the two second generation advanced gas-cooled reactors (AGRs) to be ordered in 1980.

The two authorities commissioning the stations—the Central Electricity Generating Board and the South of Scotland Electricity Board—have also invited the turbine generator manufacturers, General Electric (GEC) and the C. A. Parsons subsidiary of NEI to tender for the turbine generator work before mid-January.

The boiler work was expected to go to Clarke Chapman, largely because it would otherwise be in an extremely difficult position. It has only some minor work on the Drax "B" boilers presently on hand. The bulk of that work went to the rival boilermaking firm Babcock and Wilcox—another reason for equalising the ordering by giving Clarke Chapman the AGRs.

There will be some work for Babcock from the AGR contract, probably on a sub-contract to Clarke Chapman. The proportion is still undetermined, and will be the result of some bargaining.

The competition for the turbine generator work will be much fiercer. Clarke Chapman claims that its system, based on six exhausts, is more efficient and more cost effective than GEC's four exhaust system, and that the Electricity Board prefers it.

However GEC—which refused to comment yesterday—said that it had sold 7,600 megawatts of four exhaust turbine generators abroad, against no sales for the six exhaust. The four exhaust also has a lower capital cost.

The overall worth of the power plant work is thought to be in the region of £500m.

Behind the claims and counter-claims lies the continuing shortage of work for the UK power plant industry. This shortage has only been alleviated temporarily by the announcement last week of the £500m contract for Drax "B" power plant, almost all of which went to NEI and Babcock, with only around £10m to GEC.

Shipbuilders' chairman to lead Vosper talks

By Lynton McLain

ADMIRAL Sir Anthony Griffin, chairman of the State-owned British Shipbuilders, took personal charge of talks this week with the board of Vosper Thornycroft (UK), after he agreed to dismiss Mr. Andrew Shaw as chairman and chief executive of the Southampton yard.

Mr. Shaw's old job has been redefined by British Shipbuilders. His replacement, Mr William Richardson, chairman of Vickers Shipbuilding group and chairman of Barclay Curle, the Scottish engineering company, will be known as chief executive of Vosper Thornycroft (UK).

Refused

British Shipbuilders refused all requests for an explanation of the dismissal, which came only 10 months after Mr. Shaw was appointed by the corporation's board.

Sir Anthony visited the headquarters of Vosper Thornycroft at Fareham, Hants, on Wednesday with Mr. Richardson.

Yesterday the new chief executive urged the 4,500 workers to "settle down and stop worrying." He said there was no immediate prospects of further management changes.

Imperial Tobacco agrees to price freeze until mid 1979

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

IMPERIAL TOBACCO, which controls more than 54 per cent of the UK cigarette market through John Player, Embassy and other brands has agreed not to raise prices before July 27 next year, unless costs rise dramatically.

The assurance was given to the Price Commission which yesterday approved the price rise of 2p per packet of 20 cigarettes sought by the company. Under the safeguard regulations, which enable companies to implement price rises if profit margins would be hit during a Commission investigation, Imperial Tobacco was able to increase the prices of most of its brands at the beginning of August.

The Commission says in its report on the price rises that the cigarette price war of the past two years "has been of considerable benefit to the consumer."

Although in the Commission's view there are signs the intensity of competition may be declining, it does not feel there will be an early return to "the degree of stability experienced prior to 1976."

Since then, the structure of duty payable on tobacco has been changed because of Britain's entry into the EEC. This reduced the difference in price between small and king-sized cigarettes and precipitated a switch in demand towards the larger brands.

Imperial Tobacco, which in 1976 had about 66 per cent of the cigarette market, had only a tiny proportion of its sales among the larger brands.

Its market share was reduced to around 54 per cent and its attempts to recover its position through expanding into King-sized brands has been hampered by British-American Tobacco's entry into the UK market with its State Express 555 brand.

The Commission says the change in duty structure has encouraged efficiency but Imperial is still involved in talks with its workforce over a new productivity deal.

Imperial also plans to invest heavily in new equipment to increase productivity. The Commission says "there is still a considerable way to go before agreements will be reached on manning levels for the new machines so that the date by which this new fixed investment will be made is uncertain." Consequently, the company's estimated capital expenditure for 1979 may be overstated in its plans.

Imperial Tobacco's historic return on capital was, according to the report, 20.5 per cent in 1977, which was reduced to 7.4 per cent on a current cost accounting basis.

Energy saving projects given £21m backing

BY MAURICE SAMUELSON

THE GOVERNMENT has allocated £21m for a series of pilot energy conservation projects in industry.

The money will be available over the next four years. It is hoped to save at least £5 worth of energy for every £1 of Government support and to copy each project on at least six other sites.

Dr. John Cunningham, Parliamentary Under Secretary for Conservation at the Energy Department, said yesterday that a number of projects have already been authorised, including one — at a Unigate dairy at Walsall — which was the first of its kind in Europe. Other projects are under consideration.

The grants will encourage six categories of energy-saving technology, led by waste-heat recovery and utilisation, instrumentation and power controls. The sectors in which priority would be given are food and drink; oil refining; chemicals; non-ferrous metals; bricks; and paper.

The projects are intended to demonstrate the benefits of new applications of existing or improved technology. A Government discussion paper, published yesterday, describes them as part of the "initial strategy for industry."

It suggests that technological changes now feasible could eventually save up to 30 per cent of the present industrial energy consumption — equivalent to 38m tonnes of coal a year.

Grants to users for the demonstration projects will generally be up to 25 per cent of capital cost of plant or equipment and installation. There will also be up to 100 per cent assistance to cover installation of monitoring equipment.

The new scheme is the latest in a wide range of measures to promote energy saving in industry, including financial incentives for which £25m has been allocated over two years.

Energy Conservation Research, Development and Demonstration; An Initial Strategy for Industry, Energy Paper No. 32. Department of Energy: SO; £2.25.

Banking Bill proposes extended supervision

BY MICHAEL BLANDEN

NEW PROTECTION for small depositors and extended supervision over the banking system will be introduced as a result of the Banking Bill published by the Government yesterday.

Contrary to a previous proposal, the Government has decided to impose no fees for supervision either on recognised banks or on licenced deposit-taking institutions.

The new legislation will create for the first time in the UK, a uniform system of prior authorisation and licensing for all banks and deposit-taking institutions, under the Bank of England.

It will sort out the confusion over the various forms of banking status highlighted by the fringe bank crisis, and it will meet the UK's obligations under the harmonisation of EEC regulations.

The Bill will also set up a deposit protection fund, backed by contributions from the banks and institutions, which will protect small depositors against losing their money if a company fails. They will be protected up to 75 per cent of the first £10,000 of any deposit.

Sir Hugh Fraser drops appeal against conviction

FINANCIAL TIMES REPORTER

SIR HUGH FRASER and other directors and former directors of Scottish and Universal Investments (SUITs) have abandoned planned appeals against their conviction earlier this year on charges under the Companies Act.

The Crown Office in Edinburgh has also dropped a counter-appeal contemplated against the acquittal of Sir Hugh, the company's deputy chairman, and former directors Angus Grossart and William Forgie on charges of failing to give a true and fair view of the company's affairs in the balance sheet for the year to March 31, 1975.

Sir Hugh, Grossart, Forgie, James Gossman, Nicholas Redmayne and Elson Gamble were charged that as directors of SUITs they placed before the company's annual meeting in 1975 a balance sheet which showed a £4.2m loan to Amalgamated Caledonian under the heading of cash at bankers or in hand.

After an eight-day trial at Glasgow sheriff court in May Sir Hugh, Grossart, Redmayne and Forgie were fined sums totalling £885 for breaches of the Companies Act.

Gamble and Redmayne were found not guilty and the case against Gossman was not proven.

Councils lend average of £5,940 for homes

THE AVERAGE council mortgage granted during 1977 was for £5,940, according to a Department of the Environment survey published yesterday.

The survey took a 20 per cent sample of the 23,000 local authority home loans made last year, together worth £134m. In the previous 12 months, councils advanced £152m to 27,600 applicants.

According to the Department, the average price paid for a home with a mortgage from a local authority was £6,620, and the average income of borrowers was £3,830.

The survey shows that the average percentage advance for a new home was 92 per cent, slightly above that for existing properties. The survey also showed that first-time buyers paid an average £6,570 while former owner occupiers paid an average £7,100.

The survey also established that 93 per cent of new home loans given by authorities other than the Greater London Council, were at variables rates, of an average of just under 12 per cent. The average for fixed rate loans was 14 per cent.

The rate for GLC loans—all at variable rates—ranged during the year from 12½ per cent to 10½ per cent. Thirty eight per cent of GLC advances and 20 per cent by other councils were for 100 per cent.

RAC code for caravans

A NEW 10-point Caravanners' Code was published by the RAC yesterday. Compiled with the co-operation of the RAC's technical and legal departments, and in conjunction with the National Caravan Council, the Code gives safety advice on towing as well as the preparation of a car and caravan.

UK to choose nuclear waste site in 1980s

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN can expect to choose a final repository for nuclear waste by the mid-1980s. provided explorations gy geologists are allowed to proceed. a senior UK Atomic Energy Authority scientist told the nuclear industry last night.

Dr. Lewis Roberts, Harwell's director of research, said this time scale was the estimate of the Institute of Geological Sciences, which is making studies for the British Government as part of an EEC programme on nuclear waste disposal.

The geologists believed they would need at least seven years to satisfy themselves of the long-term safety of a repository in hard rock such as granite, he told the British Nuclear Energy Society.

At the moment their efforts were being baulked by local authorities' unwillingness to permit scientific investigations, even though the Flowers report on the environmental consequences of nuclear power in 1976 recommended that Britain should put greater scientific effort into the problems of waste disposal.

Dr. Roberts. who was reviewing the technical effort required to implement the strategy outlined in the Flowers report, said that within ten years, techniques for converting highly radioactive nuclear waste into a strong, corrosion-resistant glass would be a commercial proposition in Britain.

He outlined the French AVM process, a continuous method of vitrification "considered to be cheaper, easier to scale up to high throughputs and more flexible" than the Harvest process under development in Britain.

Capital costs for the glass-making operation would work out at less than 1 per cent of the value of the electricity generated, he believed.

Dr. Roberts said that although some "exotic" ideas for the disposal of nuclear waste were proposed from time to time, such schemes as expulsion from earth by rocket, or burial under the polar ice, were not safe and reliable. They were not being pusued in Britain.

The possibility of "incinerating" nuclear waste in fast reactors would need a great deal of development and inevitably increase the hazard for operators. There was no evidence yet that the process would have any benefit over the idea of storing radio-active waste as glass in the ground.

Safer buses aim for passengers

By Lynton McLain

ONLY ABOUT two-thirds of the population travels on buses with ease, Leyland Vehicles said yesterday in a report on passenger problems on buses.

Elderly and disabled passengers had difficulty. The problems forced many people to stay at home rather than go shopping.

The report was commissioned by the Government's Transport and Road Research Laboratory under a five-year £100,000 contract.

Leyland examined more than 2,000 accidents to passengers getting on or off buses in 1976.

Female casualties formed 72 per cent, a greater proportion than expected.

Entering or leaving the bus accounted for 15 per cent of accidents. Emergency stops or collision avoidance caused about 20 per cent.

The report recommended changes to design, many of which are incorporated in the Leyland Titan, which has started to enter service with London Transport.

Leyland Vehicles report on Passenger Problems on Moving Buses, available from the company at Lancaster House, Leyland, Preston, PR5 1SN.

Paper industry 'hurt by state intervention'

BY MAX WILKINSON

STATE intervention in the European paper and board manufacturing industry was disrupting competition and depressing profits, a conference in London was told yesterday.

Mr. Tom Corrigan, chairman of the Inveresk paper group, warned that a further shakeout in the European paper industry could be expected when tariff barriers against EFTA countries disappeared in 1984.

Mr. Corrigan, immediate past president of the British Paper and Board Industry Federation, was addressing an international symposium organised by the British Wood Pulp Association and the magazine Paper.

He said that a uniform price for the main grades of paper and board would inevitably be established throughout Europe, and this was already happening. He added: "This equalisation of price structures has coincided with substantial speculative new capacity installed in Nordic countries and elsewhere for most grades of paper. This new capacity is greatly in excess of any foreseeable increase in consumption.

"Western Europe has become a battleground, with the combatants locked in a fierce but unrewarding struggle for market share."

This problem was made worse by the growing interference of national governments for political and social reasons, he said.

"Many UK producers view with concern the substantial state-influenced support and subsidies given to many direct overseas competitors." These measures were distorting market forces and introducing unfair competition.

Mr. Corrigan added: "Our industry will continue to be plagued by poor operating results if unnecessary new investments in production are financed by state funds, and inefficient operations are artificially supported."

When state interference started in one country, however, other countries could be compelled to follow suit.

Mr. Corrigan said that some fundamental rethinking about the structure of the European industry was needed.

"There would appear to be a requirement for a major restructuring of the European paper industry, including realignments, amalgamations, rationalisation and modernisation on a grand scale—not necessarily a reduction in capacity but more concentration of ownership, fewer but better producing units, improvements in commercial policies and in efficiency of operations."

EEC lends Hull £3m for telephone service

BY JOHN LLOYD

HULL, the only town in the UK with an independent telephone service, is borrowing £3m from the European Investment Bank, the European Community's long-term finance institution, to improve the network.

The loan is over 12 years at an interest rate of 9.5 per cent. The first £1m tranche has been taken up. Two other tranches are due in 1979 and 1980.

Though the loan is earmarked for telecommunications, it will form part of the city council's general borrowing, running at about £20m annually. The total debt currently stands at £200m. The rate and timing of expenditure on the telephone service will be at the Council's discretion.

Some 18,000 new subscriber connections will be made by spring 1981, and the network will be adjusted to a changing pattern of demand linked to the creation of new industrial zones.

Hull is making strenuous efforts to attract industry to these zones to help counter unemployment in the area, now running at 8.6 per cent. Employment has been hit by difficulties affecting the fishing fleet, on which Hull has traditionally been dependent.

The Hull network operates under licence from the Post Office. A new licence for the next 12 years is being negotiated.

Sterling decline 'to stay at 3%'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING IS expected to depreciate by only a small amount over the next year, even if the UK stays out of the proposed European Monetary System and there is a fundamental recovery in the U.S. dollar, according to stockbrokers Wood Mackenzie and Company.

In a review of likely exchange rate developments, the brokers assume that the Government will maintain strict monetary control and that, if necessary, official reserves will be used to support sterling at times of pressure.

Accordingly, while Wood Mackenzie previously expected the trade-weighted index of sterling's value against a basket of other currencies to fall to between 58 and 59 by the end of next year, a range of about 60 to 61 is now projected, against a level of between 62 and 63 so far this month.

The brokers say that an implication of a more stable exchange rate policy is that there will be less control over interest rates. Nevertheless a decline in short-term interest rates during the next year is still projected.

"For the corporate sector, a firmer sterling implies some pressure on (profit) margins. It is companies trading in the U.S. —or in dollar-denominated products—that are chiefly affected.

The brokers argue that the effect for th UK of staying out of the monetary system is unlikely to be very significant during 1979, assuming that monetary control is maintained and that the current account is in modest surplus next year.

Sterling is expected to decline by an average of only 2 to 3 per cent against the major European currencies between the end of this year and the end of 1979. This also assumes that the Government has abandoned the policy of devaluation to maintain competitiveness.

Wood Mackenzie expects the pound to decline to about $1.85 to $1.90 against the dollar by the end of next year.

Takovers rise to £315m in a quarter

By James Bartholomew

THE NUMBER of takeovers and mergers continued to increase in the third quarter this year. At £315m, the value of industrial and commercial companies acquired was the highest in a quarter since the boom days of 1973.

Figures published in the Government journal Trade and Industry today show that 142 companies were acquired, slightly fewer than in the third quarter of 1977.

But the value of the companies was £42m greater, due to three large takeovers: Allied Breweries' purchase of J. Lyons for £61m, Imperial Group's acquisition of J. B. Eastwood for £38m, and the takeover of Linfood Holdings by Wheatsheaf Distribution and Trading for £30m. All three deals involved the food business.

The proportion of cash used in the takeovers rose in the third quarter to 55 per cent, but taking the first nine months as a whole the trend compared with 1977 is for less cash to be used and more shares. The tentative revival of the use of fixed interest securities was resumed in the quarter, accounting for 3.6 per cent of the total consideration.

The third quarter has been a seasonally strong one over the past four years.

The figures published give the values of takeovers on the day they become unconditional, often some weeks after the bids are first announced. So the third quarter figures reflect to a large extent bids initiated in the second quarter.

More cash for devolution group

THE CAMPAIGN for the North, the pressure group for devolution of power to the regions, is to receive further financial support from the Joseph Rowntree Social Services Trust—£6,000 for each of the next two years.

The campaign, which aims to operate across party lines, has also received the support of Lord Crowther-Hunt, the Labour peer and constitutional expert, who has agreed to be its honorary president. It already has the backing of a number of Labour and Liberal MPs.

Petroleum Revenue Tax starts to flow at last

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE FIRST payment on Petroleum Revenue Tax (PRT) has been made this month with the handing over of £176m by BP.

The money is in respect of the Forties field, which has been in production for three years but became liable for PRT only at the beginning of 1978 because of the allowances BP has been able to claim to offset development costs.

The unexpectedly high cost of bringing North Sea oilfields on stream, and the effect this has had on the yield from PRT, is one of the factors which have caused the Government to consider increasing the rate of the tax from its present 45 per cent.

Sir David Steel, chairman of BP, who disclosed the amount of the tax payment at a conference at Aviemore yesterday, also disclosed that the cost of Forties has been £1bn to date as against a 1972 estimate of £300m. A further £300m will probably have to be spent in the immediate future, he added.

"Higher inflation rates than foreseen accounted for part of the increase, but so, too, did technical reappraisal reflecting the risks inherent in any investment decision relating to new technology."

Forties, now supplying a quarter of UK oil needs, had so far contributed £2.5bn to the UK balance of payments.

Sir David said that in the long term, taking account of PRT, royalties at 12.5 per cent, which have been payable since the field began production, and Corporation Tax, the Government would take 75 per cent of the profits of Forties.

BP's payment covers the first six months of this year, when production was still building up to its peak of about 550,000 barrels a day.

The second instalment, covering the period from July-December this year, will be paid next spring and will be higher, possibly as much as £200m.

Sir David, asked to comment on the report of the UK Offshore Operators Association suggesting that the life of North Sea oil-fields could be shorter than expected, took a calm view.

The high plateau of production from any field was probably only about six years, he said, and there would be a decline in production from the North Sea during the 1990s. But it would not come suddenly and would not be unrelated to the demands of the world economy.

In contrast to some other oil industry leaders, Sir David took a conciliatory attitude to the proposal to increase PRT.

The Government had been receptive to the ideas of the industry he said, and had consulted companies about the likely rate of return from fields before making its announcement.

There was a danger of confidence being lost and some marginal fields being made uneconomic to develop. But this had to be weighed against the extra benefit from increased tax revenue.

"I think the Government do try to get the balance right to encourage investment."

Metal-working tools hit by fall in orders

FINANCIAL TIMES REPORTER

SALES of metal-working tools in both home and export markets dropped in July, according to provisional figures published today.

Total new orders placed May to July, while slightly higher than the level in 1977, showed a 5 per cent fall in current prices on the preceding three months of this year. The substantial decline in the volume of new orders is largely due, according to Trade and Industry magazine, to the behaviour of the home market where new orders fell by about 6 per cent over the three months in current price terms.

New orders from abroad were about the same in current value as in the previous three months but remained considerably higher than in the same period of 1977.

While the overall order book, at £263m, did not change significantly over the May to July period orders on hand were still less than 10 per cent higher than a year earlier.

Office of Fair Trading criticised over insurance

BY ERIC SHORT

THE Office of Fair Trading had a positive duty to educate the consumer on the merits of life assurance and should not confine itself to negative criticism of some insurance intermediaries, said Mr. Robert McCrindle, MP, parliamentary adviser to the British Insurance Brokers' Association, last night.

Mr. McCrindle, who was speaking at a BIBA Essex region dinner, strongly criticised a recent speech by Mr. Gordon Borrie, director general of the OFT, in which Mr. Borrie had deplored the high rate of surrenders of life contracts and the bad deal provided on surrender.

Insurance companies had for some time been trying to educate consumers in the folly of regarding life assurance as a short-term investment. Mr. Borrie could do worse than emulate this example and explain just what life assurance is all about, Mr. McCrindle said. Perhaps the OFT could recognise that the life company pays out the full sum assured on death, irrespectively of how early that death occurs after the contract has been effected. The life companies would be in severe trouble if they did not do this.

Mr. Borrie had expressed anxiety about inadequate advice and high pressure sales techniques used by intermediaries to secure business. Mr. McCrindle said that though this was to be deplored, it was a pity that Mr. Borrie had portrayed such practices as a tool of trade of the industry instead of abuse by a minority. And even more strong was Mr. Borrie's silence on the standards of conduct laid down by the Insurance Brokers Registration Act, 1977, which would put a stop to the abuse.

Underwriting dispute resolved

THE DISPUTE between a Lloyd's of London underwriting syndicate, headed by Mr. Michael Payne and the small specialist consultancy firm, Employers Protection Insurance Services, has been resolved.

Employers Protection Insurance Services indicated at the weekend that it was moving insurance business out of Lloyd's because of what it claimed to be the unsatisfactory nature of the underwriting arrangements. In fact it later turned out that Mr. Payne's syndicate had cancelled the underwriting arrangements because of heavy losses. Mr. Payne said that the losses arising out of this insurance business business represented only a tiny part of the syndicate's total business.

But he considered remarks made by the managing director of Employers Protection Mr. Brian Raincock to be "inaccurate and detrimental to the Lloyd's market."

ENERGY REVIEW: NORTH SEA OIL — BY RAY DAFTER

Evaluating enhanced recovery methods

BY WORLD standards the North Sea is one of the youngest oil development regions in the world. Output is still being expanded rapidly, to the extent that between this year and early 1980 the annual production rate will double, from 50m to about 100m tonnes.

Even so, the oil industry is already investigating ways to prolong production and squeeze the difficult-to-obtain crude oil out of reservoirs when they reach their mature state in 10 to 20 years' time. The Department of Energy, learning quickly from the older production regimes—particularly the U.S.—has set up an Advisory Committee on Oil Recovery Research to evaluate ways in which new production technology can be applied to the North Sea.

Varying success

This committee, which includes British National Oil Corporation and the British Gas Corporation, will be looking in particular at the enhanced production techniques that are being tried with varying success in pilot and field-wide tests. These are being conducted mainly in North and South America and in Eastern Europe and in isolated cases in Western Europe and Indonesia.

The object of these costly endeavours is to improve the oil recovery rate from reservoirs. At the moment the industry has to leave an average of two-thirds of the oil in the ground, in spite of the widespread practice of supplementing the natural pressures in the oil field with injected water or gas. It is realised that even a modest improvement in the recovery rate on a worldwide basis would have an appreciable impact on the amount of total recoverable reserves. In the U.S., for instance, enhanced recovery techniques could well boost the amount of oil still to be extracted by between 20bn and 40bn barrels, assuming favourable price and tax incentives. That amount of oil would meet current U.S. demand for 6½ to 13 years; a 30bn barrel addition would be the equivalent of doubling proven U.S. reserves.

But there is a marked difference between operating conditions in the U.S. and in the North Sea. This was a point emphasised over and over again at the Institute of Offshore Engineering's European Symposium on Enhanced Oil Recovery held in Edinburgh this July. As Mr. Robert Blackwell, of Exxon Production Research Company, Houston, commented: "A process that appears to provide very high oil recovery can be a Lorelei that lures the participants astray. It is important to keep oil recovery, manpower and manpower costs, and the time required to implement enhanced oil recovery methods in the proper perspective."

In general, oil companies with a stake in the North Sea are sceptical of the widespread application of enhanced recovery techniques in such hostile offshore conditions, a view admittedly based on the current state of the art.

For a start the average recovery factor in the North Sea is considerably higher than in the U.S., a reflection of the reservoir characteristics and of the fact that water and gas injection is often being used in British and Norwegian fields from the beginning of production. Therefore, the target for enhanced recovery techniques is smaller than in the U.S.

Second, production costs in the North Sea—over $5 a barrel according to Shell—are among the highest in the world. There would have to be a quantum jump in crude oil prices, in real terms, to justify investment in some of the methods now being tested by companies.

Third, there are a number of technological barriers that would have to be overcome. For instance, most of the fields may well be too deep to be efficiently soaked in steam, one of the methods for teasing more oil out of the ground. According to the National Petroleum Council in the U.S. 5,000 feet should be the maximum depth of a field to avoid excessive loss of heat and steam generation pressures. Operating offshore would probably add two further problems: finding enough space on the platforms for the steam generation equipment and insulating the pipes adequately against the cold North Sea.

It is known that a number of companies are trying to develop suitable polymers for the North Sea environment: chemicals that could be mixed with the injected water to improve the recovery factor. But here again the type of crude oil found offshore Britain and Norway and the heat of the reservoirs could prove to be the frustrating factor.

Similarly the scope for "washing" the residual oil out of fields by means of chemical surfactants could be severely limited: not only because of the heat and the nature of the oil, but also because of the need for a well spacing pattern much closer than that normally used in North Sea recovery. Mr. Blackwell told the July seminar that the extra number of new wells that might be needed would probably be far in excess of the limited number that could be accommodated on existing platforms. Sub-sea wells may be the answer, but not before the industry has first fully tested the recovery process on dry land.

In situ combustion is another possibility. In a number of fields companies are setting light to part of their oil reserves. The object is to use the heat to provide a driving force of steam, hot water and gas. Yet here again the oil industry is sceptical about its application in the North Sea.

Ruled out

Mr. Todd Doscher, of the University of Southern California, and Mr. Vello Kuuskraa, vice-president of consultants Lewin and Associates, concluded in another of the seminar papers that the safety hazards, together with the high fuel requirements and the relatively low proportion of oil remaining in the reservoir, would rule out *in situ* combustion in the North Sea.

They have concluded that of all the potential enhanced oil recovery methods now being tried around the world the only viable process for North Sea fields would be carbon dioxide flooding: it has been proved in Texas and elsewhere that carbon dioxide dissolves in crude oil, thus swelling the oil and lowering the viscosity. The twin properties can make the oil flow more readily and, therefore, result in a better recovery. Laboratory tests have shown that high pressure carbon dioxide can displace almost 100 per cent of the crude oil in a linear tube although commercial tests in producing fields have been far less spectacular.

Even so Doscher and Kuuskraa conclude that an early application of advanced carbon dioxide technology could be economically feasible in the North Sea and could provide a significant quantity of oil at prices competitive with crude sold by members of the Organisation of Petroleum Exporting Countries.

Their preliminary feasibility and sensitivity analysis shows that between 9bn and 15bn barrels of oil could be recovered using carbon dioxide technology. This would be a major addition to the recoverable reserves of Britain and Norway and would completely reshape the production profile of North Sea fields over the next 20 years or so. The UK's total estimated reserves are currently between 22bn and 33bn barrels, while proven petroleum reserves in Norway total some 10bn barrels of oil equivalent.

Their figures are based on the assumption that of the North Sea fields about half are technically and logistically amenable to carbon dioxide flooding. The 9bn barrels recovery rate is derived from an assumption that a low efficiency process at a cost of $25 a barrel will recover 15 per cent of the target oil reservoirs; the 15bn barrels is based on a high efficiency process yielding a 25 per cent recovery rate at $15 a barrel.

Taking these figures further Doscher and Kuuskraa have calculated that, assuming a 75 per cent probability of success, revenues to the UK Government could range from $33bn to $80bn based on a tax take of between $3.40 and $8.00 a barrel.

It is important not to lend too much weight to these estimates, however. The authors themselves recognise that they mask many uncertainties and problems.

For a start, enhanced recovery technology of any kind is expensive when set against conventional extraction processes. As the accompanying table shows (a) the cost per barrel of carbon dioxide flooding will be between $11.30 and $15.80 a barrel while the cost for surfactant flooding would be even higher, at $17.00 to $25.00. As these costs exclude royalties, taxes and return on capital invested it is clear that there would have to be a significant increase in world oil prices in real terms to justify their implementation, almost certainly to a minimum of $15 to $25 a barrel.

The lack of adequate carbon dioxide supplies might well prove to be the major constraint. It could take between 13m and 16m cubic ft of carbon dioxide to produce just one barrel of oil. At around $2 per million cubic feet (quite apart from capital and operating costs) this would be a prohibitively expensive process. So there is an obvious need for a recovery process that would enable the industry to use recycled carbon dioxide for between 70 and 80 per cent of its total injected CO_2 requirements. Even this leaves oil companies with the task of identifying potential sources for 10 to 20 trillion cubic feet of new carbon dioxide.

The cheapest source would be naturally occurring deposits in oil or gas fields. So far, it seems, only the Brae Field in the northern part of the North Sea has an appreciable CO_2 content. By-products from chemical and fertiliser plants could also be used although the growth of materials would be closely linked with economic growth: and that is unlikely to be fast enough for the oil industry's needs. Future coal gasification plants could also provide a useful and substantial source. But with plenty of natural gas resources in the North Sea still to be exploited, British Gases SNG plant building programme may be implemented too late—towards the turn of the century—to be of much help to those seeking enhanced oil recovery material.

Doscher and Kuuskraa maintain that enhanced oil recovery projects should not be deferred to the twilight of a field's production life, as has been the case traditionally. Recent technical evidence had shown that it was economically preferable to implement the more exotic production techniques earlier in the field's life.

Incentives

However, it is hard to see companies taking steps along this precarious path without some form of financial incentive. Doscher and Kuuskraa suggest that companies be allowed to capitalise purchased carbon dioxide supplies and to apply Petroleum Revenue Tax credits to existing production. There will need to be persuasion on all sides, however. On the one hand the Government must be convinced that the enhanced production techniques will provide significant extra quantities of oil; crude that could not be produced at a later date. In the formulation of its depletion policies it may not want significantly to boost output above the self-sufficiency level over the next decade. On the other hand, the industry would have to be convinced that the incentives were real and that they would not evaporate once production and profits began to flow.

Prof. Colin Wall and Dr. R. A. Dawe, of the Royal School of Mines at London's Imperial College added a further perspective when they presented an engineer's view of enhanced oil recovery at a British Petroleum symposium last year. A systematic planned enhanced recovery operation required very much more knowledge of the characteristics of individual reservoirs, they said, adding: "In the long term this country may have the ability and the skills to apply practical schemes of enhanced recovery to mature oil fields. Regrettably the men with the ability and the skills will probably be working outside the territorial limits of the UK and the grasp of the Inland Revenue."

COMPARISON OF CARBON DIOXIDE AND SURFACTANT ENHANCED OIL RECOVERY PROJECTS

(cost per barrel without royalties, taxes and return on capital)

	Carbon Dioxide*	Surfactant†
Drilling, recompletion and injection equipment	$ 1.30-$ 2.00	$ 6.70-$10.00
Operation and maintenance	$ 0.50-$ 1.60	$ 5.30-$ 8.00
Injection materials	$ 9.50-$12.20	$ 5.00-$ 7.00
TOTAL	$11.30-$15.80	$17.00-$25.00

* Assuming field is drilled to 50 acre spacing.

† Assuming field is drilled to 10 acre spacing.

Source: Economic Feasibility of North Sea Enhanced Oil Recovery (Part II), Vello Kuuskraa and Todd Doscher; European Symposium on Enhanced Oil Recovery, Edinburgh, July 5-7, 1978.

HOME NEWS

ICFC in plan to aid small companies

By John Elliott, Industrial Editor

THE Industrial and Commercial Finance Corporation is one of the members of a working party now planning a London Enterprise Agency aimed at encouraging large companies to help smaller ones in inner London.

The working party is expected to complete its study within the next month when a formal announcement will be made by the London Chamber of Commerce, which will run the agency.

Large companies involved include Shell UK, BP, Marks and Spencer, and IBM. Two other major companies—Tesco and British Oxygen—are also on the working party and other members of the London Chamber are likely to become involved later.

The idea for the agency grew out of the Government's policies for reviving inner cities and helping small companies. It was first discussed at a dinner given earlier this year by Mr. Harold Lever, Chancellor of the Duchy of Lancaster, and Mr. Peter Shore, Environment Secretary.

The Industrial and Commercial Finance Corporation, which channels finance into small and medium sized companies, expects to provide the agency with general help. Its chairman, Lord Seebohm, who has been associated with a £3m inner city project in the London Borough of Southwark, believes that the Corporation can help the agency assess the viability of small companies projects and advise on the structuring of financial arrangements. It could also provide finance if necessary.

● The Government's £20 a week job subsidy for small firms is to be extended next year when it will apply to small manufacturing companies anywhere in the UK, instead of just in assisted and inner city partnership areas.

Companies outside manufacturing industry in development and inner city partnership areas will also qualify for the subsidy which will run to March 1980, 12 months later than originally planned.

The Department of Employment estimates that as many as 40,000 extra jobs a year could result from the scheme.

BL's engineer shortage 'as serious as disputes'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL, formerly British Leyland, faces serious problems in staffing its engineering departments which could be "just as serious a limitation on long-term success as industrial disputes are in the short-term," Mr. Michael Edwardes, BL's chairman, said last night.

There were 600 unfilled vacancies in the advanced technology division of BL Cars alone, Mr. Edwardes told the annual dinner in London of the Institution of Mechanical Engineers.

"For example we have 240 people per product line compared with 800 in Ford of Europe, which has a far tighter product range with much greater rationalisation in componentry," he said.

But BL's poor public image was not a major factor in the shortages. Like the rest of British industry, BL was suffering because of the decline in earnings of engineers in relation to other workers.

As a result, the influx of able people into engineering had been quite inadequate, especially when compared with competing countries abroad.

"The only way to attract engineers into a business is quite simply to pay them—and particularly qualified engineers—at the very least in line with their equivalents in other professions.

"At the moment ways of doing this are inhibited by Government pay policies, and we in BL are particularly influenced by this. It is our intention, though, to act as soon as we are free to do so."

While the shortage of engineers was a national problem, BL felt it acutely. "The load being imposed on our engineering resources is immense, given the level of investment we are planning into the 1980s," Mr. Edwardes added.

Turning to the more immediate problem of the current pay negotiations, Mr. Edwardes warned that a large part of BL's car operations would be put "beyond recovery" if it faced a strike half as long as the Ford stoppage.

"Our most conservative estimates show that a lengthy stoppage will mean a loss of some 55,000 vehicles and between 7,000 and 10,000 jobs."

Austin Morris was the most vulnerable — "it is only now approaching being profitable, and a serious loss of production will mean a run-down of some factories and a switch in investment intentions.

"If our current market share is eroded further before new models are introduced then there is a very bleak future for Cowley and the plants that supply it."

But Mr. Edwardes insisted that BL was capable of recovery and of being a viable proposition. "Indeed, while we are making headway and hitting the targets we have set — and we are — I challenge any government to pull the rug."

The Times issues new terms for employees

By Max Wilkinson

TIMES NEWSPAPERS last night released the terms which it is offering to its employees in exchange for guarantees of continuous working and for negotiations about new working methods and staffing levels.

The company has threatened that it will close down The Times, The Sunday Times and the three supplements from November 30 unless agreement can be reached with its union chapels (shops).

A letter sent to all the company's 4,300 employees says that the company is prepared to put "millions of pounds" into a new wages structure which would mean better pay for "the vast majority of the staff."

Pension fund

Six weeks' holiday and full pay while away sick, as well as better pensions, are also offered. The company says it is prepared to put £5.5m into the pension fund to improve benefits.

The company is, in addition, offering what it describes as "very generous" terms to employees who wish to opt for voluntary redundancy.

The letter says: "All these benefits will take up to two-thirds of our planned savings. The balance will be reinvested into the company through new plant, etc, which we need to support our considerable expansion plans."

In return the company is asking its employees for guarantees of continuous production to prevent the wildcat strikes with which it has recently been plagued.

The letter adds: "Almost 12m copies of our papers have been lost this year, including 1.5m in the last four weeks."

Disputes

The company is also asking for a new disputes procedure, which it says must be honoured, new working methods to allow it to bring in more modern machinery and a reduction in manning in some departments.

The letter, from Mr. Marmaduke Hussey, chief executive of Times Newspapers, continues: "We cannot go on as we are—we cannot survive unless our papers reach their readers. What we are trying to do is, firstly to stop the damage; then get to a position where our papers can afford to expand and develop."

Mr. Hussey says: "We all want the same thing: to share in the prosperity that we can create when newspapers of editorial excellence are efficiently produced and sold by well-paid staff using modern equipment."

Steel output still at low level

BY ROY HODSON

PLANT FAILURES and industrial stoppages at British Steel Corporation works again depressed steel production in October.

Total steel output by the public and private sectors of the industry averaged 431,800 tonnes a week during the month. That was an improvement of 7.3 per cent upon October, 1977, when the industry was feeling the full effects of the international steelmaking recession. But the latest figure is still far below the levels needed for a general return to profitable working in steelmaking.

The British Steel Corporation and the British Independent Steel Producers' Association said last night in a joint statement that demand for steel products remains at the depressed level experienced over the past three years. There are no indications of a significant upturn in the near future, according to the two sources.

Labour problems and plant failures disrupted production of flat-rolled products during the month. The Welsh mills produced 138,000 tonnes a week on average — the same level as October 1977. In Scotland production was 30,000 tonnes a week—10,000 tonnes a week below the levels of October 1977.

The brightest sector of steel production was in medium-weight sections and long products. The Yorkshire and Humberside mills where those products are an important part of the trade were working at 150,000 tonnes a week on average in October compared with 125,000 tonnes a week a year earlier.

Output for the first 10 months of 1978 by both the public and the private steelmaking sectors has averaged 388,900 tonnes a week—a reduction of 3.3 per cent on the same period last year.

The decision of the stockholder companies belonging to the National Association of Steel Stockholders to change their pricing system will not result in lower prices to customers according to an association statement last night.

It believes that a more stable market situation in steel has resulted from the impact of the EEC Davignon schemes for disciplining European steel. The association does not expect its new system of recommended prices to result in lower prices to customers than existed under the previous system of mandatory minimum prices.

● Alcoa Manufacturing is increasing prices for rolled aluminium products by 8 per cent on average. The Price Commission has been informed, and the company said last night the increase was needed to recoup part of the recent rises in operating costs.

Cancer 'from fluoridation'

BY DAVID FISHLOCK, SCIENCE EDITOR

A TORY MP is expected to claim in a Commons adjournment debate today that 1,000-2,000 people may be dying from cancer in Britain each year through the fluoridation of drinking water.

Mr. Ivan Lawrence, MP for Burton, says that two U.S. biochemists have produced "alarming and quite frightening evidence" that between 10,000 and 35,000 Americans die each year because of fluoridated water.

The source of Mr. Lawrence's concern is evidence given at Congressional hearings by the two scientists, Dr. Dean Burk and Dr. John Yiamouyiannis, who work for an unofficial body called the National Health Federation.

It purported to show that the rates of increase of death from cancer in the U.S. were greater in areas with fluoridated water supplies than in areas whose supplies were not fluoridated.

Maiden flight by Harrier

THE PROTOTYPE of a new version of the Harrier jump-jet fighter, the AV-8B, made its maiden flight at the St. Louis, Missouri, airfield of McDonnell Douglas Corporation of the U.S. yesterday.

This version of the Harrier has been developed by McDonnell Douglas in conjunction with British Aerospace and Rolls-Royce, for the U.S. Marine Corps, which intends to buy about 350 of these aircraft to supplement more than 100 of the earlier version of the Harrier.

Record price for a cello

BY PAMELA JUDGE

WHAT WAS possibly the most important sale of musical instruments ever held was conducted by Sotheby's in London on Wednesday evening and yesterday and reached to total of £893,292. The sum is double the previous amount for such an event and 318 lots were involved.

As reported in later editions yesterday, Peter Biddulph paid £145,000 for a Stradivari cello (1710) and £112,000 for a Guarneri violin (1739) which had belonged to Yehudi Menuhin. The Stradivari made a world record price for any musical instrument.

There was strong Japanese buying at the well-attended events. A private German buyer was sucessful at £11,000 for a gold and tortoiseshell violin bow made by Francois Tourte, Paris, in 1815—another world record price.

Silver sold through the same house yesterday made £30,464. The top price was £1,250 for a George IV inkstand followed by £1,150 for a William IV four-piece tea and coffee set.

Furniture move

THE Furniture, Timber and Allied Trades Union lifted its industrial action against furniture manufacturers and repairers yesterday, pending further negotiations on the union's annual pay claim later this month.

TUC talks 'could place CBI support for pay policy at risk'

BY OUR INDUSTRIAL STAFF

A WARNING that the Government may lose employers' support for its pay policy because of talks it is having with the TUC, was issued last night by the Confederation of British Industry.

Speaking at a chemical industry dinner in London Mr. John Greenborough, the confederation's president, said: "The Government will not get much from the unions whose ability to deliver moderation by their members is in doubt—but they will risk losing the support of the employers."

This echoed views aired earlier this week at the confederation's national conference in Brighton where the possibility of increased price controls was sharply attacked.

"We have warned the Chancellor already that any tightening of price controls will be regarded extremely seriously by business," said Mr. Greenborough.

● An impartial board set up to "iron out" the anomalies in wages has become increasingly important, Mr. Roy Close, director-general of the British Institute of Management said last night.

The board which should be made up of trade union, management and political representatives should analyse, comment and provide a national perspective on economic affairs.

BBC writ for cinema groups after film row

BY ARTHUR SANDLES

LEGAL confrontation between the BBC and the cinemas in the form of EMI and the Cinema Exhibitor's Association moved a stage nearer yesterday with the issue of writs as a result of EMI's refusal to consider for general release a film initially funded by the BBC and which it wants to show on television three years after its exhibition in cinemas.

Behind this legal dispute lie deep divisions of attitude. The film industry thinks that television uses old cinematic products to kill the industry which produced it, while television believes that the cinema is over-protective, particularly in Britain, with stricter rules than the U.S.

Some time ago the BBC put up £250,000 in "seed money" for films, believing that it could show them before the normal five-year "break time."

Seed money is cash for turning a raw book or idea into a film script.

"Agatha" is the film concerned in the court action. The BBC seeks to show that the action of EMI and the exhibitors' association whose policy EMI is following, are restrictive practices.

The BBC has funded 13 projects being made now. In addition to "Agatha," a film, "Sherlock Holmes, Murder by Decree," starring James Mason and Christopher Plummer, has been completed.

UK freight forwarders' fortunes 'could decrease'

FINANCIAL TIMES REPORTER

BRITISH FREIGHT-forwarding companies have only a slim chance of increasing their present 80 per cent share of the air cargo market, says a new freight-forwarding survey.

Freight forwarders were also unlikely to handle more than their existing two-thirds share of seaborne trade to and from UK ports.

The report warned that next year might see a downturn in the fortunes of UK freight forwarders, and that there might not be room for the one-man company which handles import and export documentation only.

Private companies showed the greatest improvement in profits last year over 1976, with a rise of almost 90 per cent. This compared with a rise of less than 50 per cent for UK subsidiary freight forwarders owned by foreign companies. Subsidiaries of British companies showed a profit rise of only 17 per cent.

The highest increase in profit was recorded by PHS Van Omeren (London) with a jump from £1.2m in 1976 to £6.7m last year. Much of this increase came from dividend income, and represented profit from interest outside freight forwarding.

Brown Jenkinson and Company reported a profit of £236,000 against a loss in 1976 of £1m.

The greatest fall in profits was felt by Rankin Khun (Freight), down from £318,000 in 1976 to a loss of £1.2m last year. Profits in Eggan Forrester (Holdings) fell from almost £1m to £202,000.

Freight Forwarders: Jordan Surveys, Jordan House, Brunswick Place, London N1 6EE. £45.

Stock Exchange raises less new money

NEW MONEY raised on the Stock Exchange in the first 10 months of this year totalled £9.58bn, 42 per cent down on the £16.41bn raised in the corresponding period of 1977.

The fall in issue volume largely reflects a drop in new gilt-edged issues to £5.94bn from £11.08bn.

New equity raised by British companies came to £648m against £816m in the first 10 months of 1977, overseas issues totalled £1.15bn (£2.23bn), Irish Government stock £592m (£723m), and Local Authority and Public Boards stock £916m (£1.07bn).

Chemical industry may export 8% more

FINANCIAL TIMES REPORTER

THE CHEMICAL industry's gross sales are expected to reach £15½bn this year, with a 3 per cent rise in the volume of production, Mr. Stuart Woodhams, outgoing president of the Chemical Industries Association, said yesterday.

Chemical imports were growing, yet the UK industry's volume of exports would increase by 8 per cent and investment by 14 per cent in real terms, he said at the association's annual meeting in London.

Export sales in 1977 totalled some £3.8bn and the industry's £1.45bn positive trade balance accounted for more than a quarter of the overall UK balance of trade in manufactured goods.

Investment this year seemed likely to exceed £1bn.

Britain warned of slide

BY LISA WOOD

A WARNING that Britain was in danger of a steady and seductive slide into international ineffectiveness, rather than dramatic economic decline, was given yesterday by Sir Antony Part, former permanent secretary to the Department of Industry.

Sir Antony, giving the 1978 Maitland Lecture of the Institution of Structural Engineers, said that counter-action would demand a re-appraisal by many trade unionists of their role in industry, some hard and imaginative thinking by industrial management and new attitudes in Whitehall.

The UK was failing to match its leading competitors in the discipline—vital to the private and public sectors alike—of getting an adequate return on capital. The main problem was how to reconcile the maintenance of enterprise with the aspirations of a fairer society which education was now generating.

Discussing the balance between enterprise and accountability, Sir Antony asked: "As we become less private shall we become less enterprising?"

Workers and their unions should be encouraged to widen their interests in the workplace. To achieve this he suggested keeping units to an acceptable size—no more than 1,000 people in one location or unit—and fostering different layers of loyalty, such as in the armed services.

While not favouring certain proposals in the Bullock Report, Sir Antony said that consultation was vital if a full sense of commitment was to be achieved. But the consultative process was no substitute for job satisfaction and good pay structures. The latter would be easier to achieve if there were plant and industry unions instead of the present multiplicity of unions.

Civil Servants angry at pay claim order

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE preparations for a fight over pay this winter were fuelled yesterday when it became clear that the Government has effectively refused to allow Civil Service unions to take their claim for increased London weighting allowances to independent arbitration.

The Government is insisting that any settlement of the allowance reached by aribtration which was above its Phase Three guidelines would have to be offset against the Civil Service Phase Four settlement, due in April.

Civil Service unions feel that this pre-condition effectively denies them the arbitration procedure established by agreement in 1925.

The issue directly affects about 150,000 civil servants, about a quarter of Britain's white-collar total. Mr. Bill Kendall, secretary-general of the National Whitley Council staff side, said yesterday that the Government had "seriously and permanently damaged Civil Service, and possibly public sector, industrial relations at a stroke."

The Government has offered a 12.7 per cent inner London allowance rise, increasing the old rate of £465 to £524. The unions claimed rises of up to 53 per cent.

Industrial action on the claim is possible, although union leaders believe privately that action on the allowances only is unlikely.

LABOUR NEWS

Skilled workers to strike at two Vauxhall plants

BY PHILIP BASSETT, LABOUR STAFF

VAUXHALL MOTORS faces an all-out strike by skilled workers at two of its major plants from tonight as its 26,000 manual workers drew closer yesterday to accepting an 8.5 per cent pay offer.

A skilled workers' strike would have severe effects on vehicle production.

Secret ballot

The 2,200 members of the Transport and General Workers' Union at the company's Dunstable truck plant have accepted the pay offer. In a secret ballot, 69.4 per cent voted for the offer, and 30.5 per cent against it. The decision is in line with another secret ballot taken by engineering union workers at the plant.

The remaining threat to overall acceptance of the offer comes from the 3,000 TGWU members at the more traditionally militant Ellesmere Port plant, who hold a mass meeting this morning.

The offer provides average increases of about 8.5 per cent, with a further 25p-£10 a week in productivity payments.

A decision to strike would leave the Ellesmere workers isolated, as the 5,000 engineering workers at the plant are likely to follow the instructions of their union's executive to accept the offer when they meet on Sunday. Luton shop stewards have accepted the offer without mass meetings.

The strike over eroded differentials by Vauxhall skilled workers has been called by the unofficial General Motors combine craft committee, which claims to represent about 5,000 skilled workers at Vauxhall and AC Delco, the car components company.

Skilled workers at Ellesmere Port and Dunstable are due to strike when the final Friday night "mini shift" ends at 9.30 tonight. The 2,500 skilled workers at Luton will hold a mass meeting on the strike call on Monday, when stewards are expected to recommend strike action.

Weighted offer

Current top skilled rates are £79.18 for day shift and £104.04 for night shift workers. These would be increased to £84.20 and £112.26 in the pay offer now being accepted.

During negotiations, the offer was weighted to try to deal with skilled differentials, but combine leaders want cash figures to be put on the company's offer of a new skilled workers' grade.

Bakers clash on strike support

By Pauline Clark, Labour Staff

UNION LEADERS and employers in the nationwide bread strike were engaged in a sharp conflict of views yesterday over the level of support being given by bakery workers to the action.

Mr. Michael Rogers, director of the Federation of Bakers representing the country's two biggest bakery combines, said more workers were going back to work and that about 60 per cent of normal bread supplies were reaching the shops.

Mr. Peter Davies, chairman of the Mother's Pride bakers, Ranks Hovis McDougall, said: "The drift back to work, while not yet a flood, is accelerating all the time."

Allied Bakeries, meanwhile, claimed to be maintaining 40 per cent of production, and said that union members at seven plants—Crawley, Worthing, Exeter, Barnstaple, Stoke, Leicester and Bradford—were working normally.

At the Sunblest bakery in Sheffield, 400 workers decided to return to work on Sunday. Another 400 workers at the Wimbush bakery in Small Heath, Birmingham, also voted for a return to work but shop stewards are seeking to overturn this decision. Elsewhere in Birmingham, 300 workers at a bakery in Garrett's Green voted to resume work today.

The Bakers' Food and Allied Workers Union, however, continued to deny strenuously that support for the three-day-old action was fading.

Mr. Terry O'Neill, president, said: "We are quite happy with the situation. There is a tremendous amount of activity on the picket line."

The federation increased pressure on the union yesterday by giving notice that it would not support the post-entry closed shop agreement. In a letter to all employees and individual employers, it said that any workers who were expelled from the union for not joining the strike would not lose their jobs.

"We will stand by all employees who, by working, are doing nothing more than honouring the agreement that applies in the industry."

It was reacting to a union warning that strike breakers would risk having their union cards confiscated.

The strike is in support of a 26 per cent pay demand.

National rail dispute threat moves closer

BY NICK GARNETT, LABOUR STAFF

THE THREAT of a national rail dispute worsened yesterday following rejection by ASLEF, the train drivers' union, of the recommendations on special productivity payments made last week by an independent inquiry.

The union's executive turned down the proposals of the Railway Staff National Tribunal for a sectional productivity payment solely for drivers of British Rail's High Speed Train.

It had claimed a special productivity bonus for all drivers in relation to what it believes to be improved productivity over the past four years. The claim was submitted following special payments made to train guards, who are members of the National Union of Railwaymen.

The drivers' union said yesterday that unless a satisfactory offer on a special bonus was made by British Rail this month, the union would be in dispute with management.

The union is seeking a meeting of the Railway Staff National Council within the next week. The executive will then discuss the position again. British Rail said last night it was trying to convene a meeting of the tribunal as soon as possible.

Southern Region drivers have already called for a series of one-day strikes from November 22, and two-day strikes from January 2.

Feelings among its members on the issue was quite strong, the union said. However, the militancy among Southern Region drivers has not been reflected so far in other regions.

ASLEF also wants the proposals on a national productivity deal, recommended by the tribunal, to be discussed by the Railway Staff National Council.

Four-day week need not cut output, says Gormley

BY ALAN PIKE, LABOUR CORRESPONDENT

NATIONAL UNION of Mineworkers leaders will meet the National Coal Board on November 23 to press their 40 per cent pay claim.

The union is seeking to increase face workers' basic rates from £78.44 to £110 per week, with proportionate increases for other grades. It also wants a four-day working week and is insisting that the next settlement, which will date from March, should last for only eight months.

"If you want to run a coal industry you have to attract the right type of workers," said Joe Gormley, the union's president, yesterday.

The NUM believed that its claim for a four-day week was in line with TUC policy and would create jobs without necessarily leading to an increase in production costs.

Leaders of 33,000 national newspaper printers and related workers met employers yesterday for further talks on their 15 per cent pay claim. The employers—who calculate that the total claim is far more expensive than the straight pay element—asked for further details from the unions.

Negotiations are likely to begin in earnest at the next meeting, on November 22.

Nick Garnett writes: British Oxygen's gases division agreed yesterday to further pay talks next Thursday, following rejection by mass meetings of an 8½ to 9 per cent pay offer to its 3,000 drivers and gas cylinder handlers.

Union negotiators hope to meet officials of Michelin UK today following rejection by 8,000 manual workers of an offer of 9 per cent linked to higher output.

Pay talks at Kodak resume next Wednesday. Most of the manual labour force turned down the company's productivity proposals.

Engineers' union warns on disputes

By Alan Pike, Labour Correspondent

THE Amalgamated Union of Engineering Workers' Executive has emphasised to its members that it will not pay dispute benefit if workers go on strike before a full-time official has been called into negotiations.

A firmly worded circular has been sent on behalf of Mr. John Boyd, general secretary, to all district secretaries and divisional organisers. It appears to reflect the determination of the moderate group which now controls the union executive to curb unnecessary unofficial strikes.

In addition, the cost of financing strikes is heavy for a big union like the engineering workers. In the past three months, it has paid out more than £370,000, and the weekly total is rising rapidly.

Mr. Boyd tells his officials that the decision not to pay benefit unless a full-time official has been called in before members stop work applies both to companies covered by the national procedure agreement and those which are not members of the Engineering Employers' Federation.

University workers join queue for 40% pay rise

BY PAULINE CLARK AND MICHAEL DIXON

UNIVERSITY manual workers, including porters, cleaners and cooks, yesterday joined what is expected to be a unitde demand by some 1½m public employees this year for a wage rise of more than 40 per cent.

Union representatives of 24,000 weekly paid university staff have submitted a claim for a £60 minimum wage compared with the present £42.40. They are also claiming full consolidation, a 35-hour week, longer holidays and increased shift payments.

This follows similar claims from 1.1m local authority manual workers and 250,000 hospital ancillary staff whose demands have been accompanied by threats of co-ordinated industrial action after Christmas from the National Union of Public Employees.

Meanwhile the Government has been asked to end an inter-union dispute by abolishing the National Union of Teachers' absolute majority on the teachers' side of the Burnham pay-negotiating committee.

The 21,000-member National Association of Head Teachers, one of several unions represented on the committee, wants the casting vote on the teachers' side to be given to an independent chairman.

Under proposals by Mrs. Shirley Williams, Education Secretary, the NUT would retain its dominance with 16 of the 30 seats on the unions' panel.

The 110,000-member National Association of Schoolmasters and Union of Women Teachers — which like the NUT is pressing for "special case" treatment for school staff in the next pay round — would have six seats.

Shotton case for £26m put by unions

THE TRADE union "action committee" at Shotton steelworks, North Wales, yesterday put its case to leaders of the TUC steel industry committee for a £26m investment to provide three tandem furnaces and cut the cost of steelmaking.

Union officials at the plant fear the loss-making British Steel Corporation wants to end steelmaking at Shotton at a cost of about half its 10,000 jobs.

Mr. Neville Evans, of the Electricians' Union and action committee treasurer, said BSC's idea of supplying basic steel from Llanwern in South Wales and Ravenscraig in Scotland would be inefficient and destroy Shotton's tradition of responding quickly to a wide range of customer needs. The workers were not prepared to be bought out of their jobs as they have been at other works.

Equal pay victory for bank girls

TWO WOMEN clerks yesterday broke through a legal barrier in a £3m equal-pay appeal on behalf of 14,000 Lloyds Bank women employees.

The Employment Appeal Tribunal ruled that women under 25 in Lloyds were entitled to the same 5 per cent extra given to their male colleagues to cover the men's pension-fund contributions.

The decision could give the women more money in their pay packets than the men—because at present women do not contribute to Lloyds' pension fund before they reach 25.

The National Union of Bank Employees said later that it would agree to a rules change so that women under 25 contributed to the fund like their male counterparts.

The appeal tribunal held that a "pension exclusion" clause in the Equal Pay Act—which says equality should not operate in terms of employment relating to death or retirement—did not apply to the situation at Lloyds.

It had been stated that the increase, plus back pay, to the 14,000 women affected by the case would cost Lloyds over £3m. But the women are unlikely to see any improvement in their pay packets for some time.

The bank is expected to challenge the decision in the Appeal Court and that could take several months.

The appeal tribunal allowed an appeal by the two women against an industrial tribunal decision rejecting their plea for equal treatment.

Too much talk 'can hit Ulster car deal'

By Our Parliamentary Correspondent

THE GOVERNMENT refused to disclose in the Commons details of the financial arrangements entered into with the De Lorean company for the manufacture of cars in Northern Ireland.

Mr. Don Concannon, Minister of State, Northern Ireland, told MPs that early disclosure of the arrangements could put at risk a lot of negotiations.

He was challenged by Conservative MPs over whether the project had been properly vetted and was soundly based. They also asked what arrangements had been made for any losses to be borne by the taxpayer.

Mr. Concannon accused the MPs of "pessimism to the extreme." He said he was not expecting losses but success, and the project was a great opportunity for the people of Northern Ireland and other companies there.

"The financial arrangements entered into with the De Lorean motor company consist of the provision of equity and loan capital by the Northern Ireland development agency and of grants and loans by the Department of Commerce for Northern Ireland.

"It would not be appropriate to give the details now, as these remain confidential between the parties concerned.

"However, I understand that the company will have to file information in the U.S. which will become publicly known.

"I intend to consult with the company about the extent to which the Government may, by agreement, make known the basis of the assistance provided in Northern Ireland."

MLR move prudent and right—Healey

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

MR. DENIS HEALEY, Chancellor of the Exchequer, last night defended yesterday's increase in Minimum Lending Rate to 12½ per cent as "right and prudent."

He claimed that it would still allow for the essential financing needs of the economy to be met at the same time as holding inflation at its present level.

The Chancellor also announced a "slight tightening" in the target for the growth of money supply over the coming year.

He was leading the Government counter-attack against the Conservative attempt to press a vote of censure on the final day of the Queen's Speech debate.

Mr. Healey claimed there has now been a substantial improvement in the real economy and dismissed what he called the "mournful bleating" of the Opposition.

But Sir Geoffrey Howe, Tory Shadow Chancellor, pointed out that Minimum Lending Rate was now higher than at any time since the Government took office apart from the three months' crisis period of 1976.

"The truth is that the consumer pseudo-boom that the Chancellor so carefully designed for the election that-never-was has now been killed stone dead," declared Sir Geoffrey.

Mr. Healey told the House that the increase in lending rate had been taken with his approval. A significant part of the rise validated the recent increase in short-time market interest rates.

The short-time increase had occurred in face of uncertainties about the foreign exchange markets, U.S. interest rates and pay settlements in Britain.

"Given these uncertainties, the Government thought it right and prudent to err on the side of caution by establishing a level of short-term interest rates somewhat higher than at present," Mr. Healey said.

As a result, he expected short-term market rates to rise on average by three-quarter per cent or so—some more, some less.

Turning to money supply, he said the growth of M3 (the wider definition) had averaged 9.5 per cent a year during Labour's term of office.

This was only a third as high as in the last two years when the Conservatives were in power.

Domestic credit expansion had also been kept well within the limits which had been set in the letter of intent to the IMF.

In the first year, the target for M3 was under-shot, turning out at 8 per cent instead of 12 per cent. In the second year, it was overshot, ending at 16 per cent compared with a target range of 9-13 per cent.

The Chancellor stressed, however, that it was the underlying rate of growth over a period that mattered rather than the level on a particular day or month.

He recalled that he had set 8-12 per cent as the target range for the growth of M3 in the 12 months ending with April 1979.

Full figures for the six months up to last October would not be available until next week.

But it was clear from the preliminary figures that the rate of growth of M3 during that time had been below the bottom end of the target range.

They were probably nearer to 7 per cent than 8 per cent. This had offset the higher growth in the last months of the preceding banking year.

He had now decided that the target range for the 12 months to the end of October 1979 should be 8-12 per cent.

This was similar to the figure for the six months up to next April, but in fact it represented a slight tightening as it would be starting from a lower base level.

On the subject of the 5 per cent pay policy, Mr. Healey trusted that the Government's discussions with the TUC would soon be crowned with success.

He explained that in the last phase of pay policy, the Government found that the 10 per cent ceiling had been taken as the level which all wage claims should reach. The Government had now learnt from its experience.

It was considering with the TUC whether it would be possible to introduce more flexibility into the 5 per cent policy without jeopardising its objective of keeping down inflation.

The Government remained convinced that the 5 per cent policy was the best way of controlling inflation.

The TUC, on the other hand, remained committed to voluntary collective bargaining and believed that properly conducted, this would result in settlements consistent with the control of inflation.

The discussions had been marked by a growing determination to discover and refine areas of agreement consistent with the Government's objectives on inflation.

The Chancellor dealt at some length with the proposals for the establishment of a European Monetary System. He confirmed that the Government will be publishing a Green Paper setting out the arguments for and against the "supersnake."

"I cannot conceal from the House that we have serious doubts about the wisdom and durability of the arrangements at present proposed by some of our European colleagues. But I hope that we shall be able to resolve these problems in the coming weeks.

"We start from the firm belief that the EMS must not have a built-in deflationary bias. The economic and financial obligations must fall on stronger countries no less than the weaker ones."

If this did not happen then greater stability in exchange rates would be achieved only by making the weaker countries adopt unnecessarily deflationary policies. If the arrangement was to be durable it must be significantly different from the existing joint float or "snake."

Sir Geoffrey charged that the Government had been forced to drive up interest rates to produce the money needed because of their spending and borrowing.

"The Prime Minister decided he was not taking advantage of the boat that had been designed by Mr. Healey. He decided to miss it because he did not trust it. How right he was, it will never come again."

Economic and industrial prospects would not be improved by the latest increase, Sir Geoffrey added.

"The figures are as dismal as they possibly can be if one looks at the record."

On pay policy, Sir Geoffrey said the country did not know where it was going. Was there still a 5 per cent wages limit, or were we back to free collective bargaining? Sir Geoffrey's advice was a return to "realistic and responsible collective bargaining."

Free collective bargaining was irresponsible, because it had "savage consequences" on those not involved. "One thing we do not need is a return to tighter price controls, the tighter it has been, the faster prices have risen."

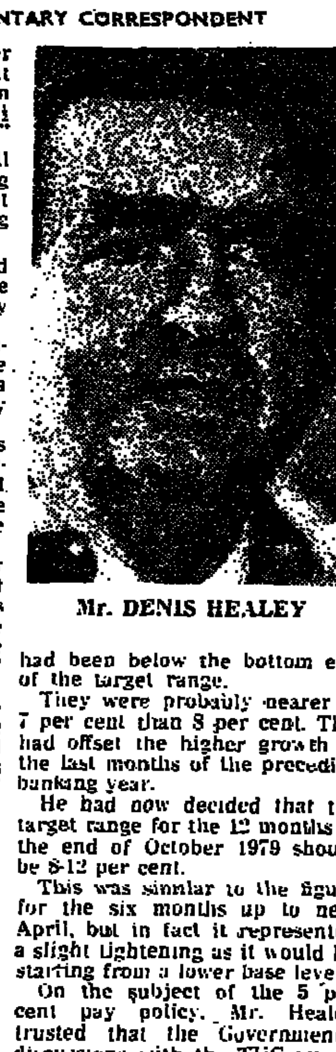
He called for a "national debate" on the need for strike ballots. There was a "conspiracy of silence" on the subject among Labour MPs.

"The Labour Party has all-too often allowed itself to be a means of imposing the views of the mad cap Left on society as a whole."

"This Government in every sense has reached the end of the road. They are following a clutch of policies which make no kind of sense even to them."

Mr. Healey had once accused some Labour MPs of being out of their "tiny Chinese minds." "Who is out of whose tiny Chinese mind? More than most patients who meet their psychiatrist, the Chancellor seems to lack true insight into his condition."

There had to be gradual reduction in the growth of earnings but did that mean the Government had to intervene and fix every pay settlement at a particular level.



Mr. DENIS HEALEY

We did it to beat inflation—PM

BY PHILIP RAWSTORNE

MINIMUM LENDING RATE had been raised as part of the Government's anti-inflation measures, Mr. James Callaghan told the Commons yesterday.

The Prime Minister made it clear that one of the main reasons behind the move was uncertainty about the level of wage settlements this winter.

"The Government does not intend to be caught by these uncertainties. We are taking steps to prevent them developing into reality."

Replying to Mr. Neil Kinnock (Lab. Bedwellty) who asked if the interest rates had been raised to conform with the European Monetary System or to enforce the 5 per cent limit, Mr. Callaghan said:

"It is not to enforce the 5 per cent. We are in a period of free collective bargaining."

Amid laughter, he added: "If we weren't, I promise you some of the settlements would be a lot different from what they seem likely to be."

The Prime Minister recalled that he had compared the Government's anti-inflation policies to a three-legged stool.

"We intend to use them all to keep inflation down. The country has got to make up its mind whether it prefers these short-term measures in order to keep inflation down and prevent unemployment soaring, or whether they will be ready to let inflation rip.

"The Government is not ready to do that: we shall take all necessary measures."

Mrs. Margaret Thatcher, Opposition Leader, said that the last time MLR had been raised, Mr. Denis Healey had predicted that it would come down again within a few weeks. "What went wrong this time?"

Mr. Callaghan said that world conditions had prevented a reduction in the rate. "It may have escaped the Conservatives but there has been a certain turbulence in the position of the dollar and an increase in short term interest rates."

The MLR increase reflected that, and the Government's determination to keep inflation under control.

Mrs. Thatcher pointed out that the U.S. rate had been increased by much less than MLR.

"Why do you not accept that the reason it has gone up so much is because the Government is borrowing far too much and trying to take far too much out of the economy for Government spending?"

Home-owners and small businesses would have to bear the burden.

The Prime Minister conceded that the Government's borrowing requirement determined to some extent the level of interest rates.

Perhaps the Tory leader would choose whether she would reduce spending on education, social services, old age pensions or child benefits?

Mr. David Steel, Liberal leader, suggested that if the incomes policy leg of the Government's stool was weakening, it would be more logical to strengthen that rather than increase the weight on the others.

"Logic does not cover all political decisions," Mr. Callaghan replied.

As far as pay was concerned, he was still waiting to hear from Ford about the likely effect on its prices of the company's pay offer.

"It seems very unlikely that a company of that size should take a decision on pay without knowing in advance how it will work through into prices."

Answering Mr. Terence Higgins (Con. Worthing), the Prime Minister said that the financial markets were "uncertain about possible consequences that might arise during the winter."

There were a number of uncertainties including the strength of sterling if Britain were to enter the European Monetary System.

Mr. Bryan Gould (Lab Southampton) had earlier suggested that the increase in MLR was "a foretaste of the policies that would be necessary" if Britain joined the European system.

Mr. Ron Thomas (Lab Bristol NW) warned the Prime Minister that a majority of Labour MPs were opposed to membership. "It would be an erosion of our economic sovereignty," he said.

Mr. Callaghan replied that Government control over exchange rates had been severely eroded already.

A zone of monetary stability, irrespective of the merits of this particular scheme, would have advantages over allowing the speculators a free run, he declared.

The Prime Minister agreed with Mr Maurice Macmillan (Con., Farnham) who forecast that the world could be facing monetary chaos by mid-1979.

Mr. Callaghan said he would welcome talks about a new world monetary system, making it clear that he was not seeking to "ditch the EMS."

Labour MPs to fight EMS

BY ELINOR GOODMAN

FURTHER EVIDENCE that the Government would meet strong opposition from its own supporters if it tried to take Britain into the European Monetary System came yesterday with two fresh initiatives in Westminster to kill the idea before it gets off the ground.

More than one-third of the Parliamentary Labour Party signed a motion rejecting the idea of Britain joining the system and calling on the Government to retain control of the country's economic policy.

The motion's sponsors included Mr. Brian Sedgemore, who was sacked earlier this week as a PPS for quoting from a confidential Treasury document on the system.

They claimed last night that the feeling against the system within the party was far greater than the number of signatures indicated.

The sponsors maintained that at least half the members of the Government had similar reservations about EMS and that more than half the Parliamentary party was opposed to it.

In all, 114 MPs signed the motion—five times as many as the Tories who supported a pro-EMS motion put down last week.

The wording was sufficiently vague to attract support from those who would not normally be associated with Tribunites. Signatories included not only well-known opponents of the EEC like Mr. Bryan Gould, another of the sponsors, and Mrs. Barbara Castle, but solid trade unionist MPs like Mr. Tom Swain, and Right-wingers like Mr. John Watkinson.

Labour MPs were yesterday being sent a paper produced by Mr. Geoffrey Bish, head of the party's research department, condemning the system almost out of hand.

Produced for the party's influential home policy committee, which is headed by Mr. Anthony Wedgwood Benn, the paper says that EMS would carry great economic dangers for Britain.

Next week's business

COMMONS

Monday: Nurses, Midwives and Health Visitors Bill, 2nd Reading; Pensioners Payments Bill, proceedings.

Tuesday: EEC documents on enlargement, display and pricing of foodstuffs and on groundwater pollution.

Wednesday: Debate on Developments in the European Communities. EEC Document on Mutual Assistance.

Thursday: Estate Agents Bill, 2nd Reading: Assistance for House Purchase and Improvement (Variation of Subsidy) order: EEC Document on Misleading and Unfair advertising.

Friday: debate on the report of the Royal Commission on Civil Liability and Compensation for Personal Injury.

LORDS

Monday Nov. 20: Companies Bill, 2nd Reading. ... ...

Tuesday: Electricity (Scotland) Bill—2nd Reading: Legal Aid (Financial Conditions) Regs 1978; short debate on re-equipment of the Queen's Flight.

Wednesday: Debate on the growth of "Quangos."

Thursday: Forestry Bill—Second Reading; counter-inflation Price Code Order 1978; Short debate on National Parks.

Tory attacks seal cull cost

THE SEAL cull which was called off before it started was "a very expensive mistake for the taxpayer," said Mr. Teddy Taylor, Shadow Scottish Secretary, yesterday.

Mr. Bruce Millan, Scottish Secretary, in a letter to Mr. Taylor, gave the cost of the proposed cull by a Norwegian company off north Scotland as likely to be less than £25,000.

Mr. Taylor said: "This company sailed across the North Sea, twiddled their thumbs off the Orkneys for a few days, and sailed back again. The cost, I am sure, will not be less than £20,000."

Oil bonus

ORKNEY ISLANDS Council is to give a £10 Christmas bonus out of its North Sea oil revenues to pensioners and also to widows with pensions.

'Cabinet committees should stay secret'

BY ELINOR GOODMAN

THE PRESENT practice of pretending that Cabinet committees do not exist should be maintained, the Prime Minister has told his Cabinet colleagues in a three-page memorandum leaked to the New Statesman.

Though Mr. Callaghan admits that keeping up this pretence can create problems of its own, he concludes that the whole subject should continue to be kept secret.

The practice of dividing Cabinet Members into smaller groups to discuss particular subjects developed as a way of both spreading the work load and saving time.

The existence of these groups is never publicly acknowledged, though a decision by a Cabinet committee has exactly the same authority as a decision by the full Cabinet.

Despite the Prime Minister's frequent genuflections at the altar of open government, he says that he has decided the time is not right to change the present policy.

Any departure from it would be more likely to whet appetites than to satisfy them. Therefore, he ended his memorandum by asking his colleagues not to answer any questions about the committee system.

Thomson challenges Wilson

BY IVOR OWEN

IF NORMAL Cabinet procedures had been followed, Sir Harold Wilson should have been told in 1968 that sanctions had been breached and that British oil was reaching Rhodesia, Lord Thomson of Monifieth, former Commonwealth Secretary, insisted in the House of Lords last night.

In a forceful speech in a debate on whether sanctions should be renewed for a further year, he directly challenged some of the statements made by the former Prime Minister in the Commons earlier in the week, when he told MPs that he first heard about the sanctions-busting operations last April.

Lord Thomson stressed that the Bingham Report made it clear that the full record of his own talks with the oil companies in February, 1968, and again in February 1969, were sent to the offices of the Ministers most directly concerned.

He hoped that this would dispose of the "improbable proposition" made by Sir Harold in his Commons speech that "as one of the newer members of the Cabinet, I was conducting some private Rhodesia policy of my own with the oil companies."

Lord Thomson also stressed that, as soon as it was discovered that British oil was being diverted to Rhodesia through Mozambique, the fact had been reported to the Defence and Overseas' Policy Committee of the Cabinet—"a committee under the Prime Minister's chairmanship."

He explained that at that time it had been accepted that the oil companies were acting in good faith.

Lord Thomson told peers that the main lines of the Government's policy in the face of the very real dilemma which the sanction breaches presented was decided collectively "at the highest level."

The policy then determined had been followed for some time, including the period of the so-called "swap" arrangements. Lord Thomson said that "swap" arrangements were a normal part of the transactions of the oil companies, and not a sinister device of big business to bust sanctions.

After referring to a meeting over which he presided in February, 1969, Lord Thomson complained: "It is very deeply disturbing to hear Sir Harold Wilson state that the Foreign and Commonwealth Office record of this meeting, which was sent to him, was never seen by him.

"Given the fact that he saw the record of the earlier talks the year before in February, 1968, given the fact that he himself as Prime Minister had generated a very important correspondence between our Offices on March 15, and given the importance of the consideration by the Defence and Overseas' Policy Committee of the Cabinet, the record of this particular meeting certainly ought to have been regarded as a most important paper."

Lord Thomson went on to scoff at the former Prime Minister's suggestion that he might not have realised the implications of what was stated in the record of that meeting.

"I think the record itself, published in the Bingham Report, shows that I was in no doubt about its importance.

"To the best of my recollection—and it is frightfully difficult, I find, to recollect correctly after 10 years—I looked upon that 'swap' as something outside our control, but as a repugnant necessity."

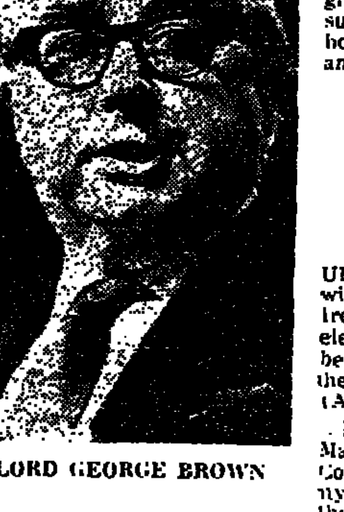
Lord Thomson came down strongly against the publication of the Cabinet papers and other official documents relating to that period being published in advance of the normal 30-year interval.

He was supported by Lord Hailsham, from the Opposition front bench, when he contended that it would be a mistake to order any further inquiry into the events of that time.

Lord George Brown, the former Labour Foreign Secretary, who sits on the cross benches, also clashed with the views expressed by Sir Harold and strongly opposed the premature disclosure of Cabinet documents.

He refused to join with his ex-Cabinet colleagues in a public discussion about who knew what, who misled whom, and who had failed to understand which issue.

But he was adamant that the Rhodesia policy of the Wilson Government had been "very much a Number 10 spectacular from the beginning," and claimed that none of those then in office could claim ignorance of the position.



LORD GEORGE BROWN

"So far as I am concerned, that applies right up to the time when I left the Government in March, 1968. I will be most surprised to learn—I choose my own words carefully—that the position changed in any material respect after that."

Earlier, Lord Elwyn-Jones, Lord Chancellor, warned Peers that "failure to maintain sanctions on Rhodesia would destroy our ability to contribute towards a negotiated settlement."

The Lord Chancellor, Attorney General from 1964-70, said: "We are bound in international law to maintain sanctions until there is a return to legality in Rhodesia.

"Our failure to maintain sanctions would simply serve to prolong and intensify the war."

The Lord Chancellor assured peers that the last thing the Government wanted was a cover-up. That was why the Bingham Report had been published almost in its entirety.

"I can only say during my time as Attorney-General, when I was obviously concerned with Rhodesia, that my colleagues acted towards seeking a peaceful and honourable settlement.

Unionists back Mason on regional authority

ULSTER UNIONISTS agreed with Mr. Roy Mason, Northern Ireland Secretary, that a locally elected regional authority should be established in the province, their leader, Mr. James Molyneaux (Antrim S) said in the Commons.

Mr. Molyneaux agreed with Mr. Mason's comments in Socialist Commentary that such an authority could take responsibility for the great majority of matters that affected the lives of people there.

Mr. Mason said that generally they were in league. They had to realise, however, that if there was to be a regional authority, it had to be on the basis of partnership between the two sections of the community.

Mr. Kevin McNamara (Lab. Hull C) said the Unionists did not need to concede anything as they were being given everything with the proposed increase in seats for Ulster.

Mr. Mason stated that he did not believe the increase in seats would mean they would all go to the Unionists. Out of 17 seats it was quite likely four or five could go to the SDLP or other Catholic representatives.

Miss Maureen Colquhoun (Lab. Northampton N) said the Irish prisoners to whom Mr. Mason had referred so scathingly on Monday were really prisoners of war.

"When are you going to take a real political initiative that will have a phased withdrawal of the troops in Northern Ireland which is in accordance with the majority wishes of the British people?"

Mr. Mason said he did not agree the people in prison were either prisoners of war or political prisoners.

"As far as I am concerned, they have killed, murdered, bombed, massacred. They have been responsible for major terrorism. Now, because we treat them as criminals, much of the terrorist activity is on the wane."

Earlier, Mr. Mason had reported a drop in the number of troops killed from 58 in 1973 to nine so far this year, and wounding down from 278 to 25.

Mr. John Pardoe, Liberal Deputy Leader, said the figures were good news, but British soldiers sent there in large numbers had "died to buy time in which the politicians could create a political settlement."

"How many more lives will be lost before politicians play their part?" Mr. Pardoe asked.

Mr. Mason replied that although a political solution had not been found, the security forces, by their courage and skill, had managed to get on top of the security problem.

"One thousand troops had been withdrawn in the last year," and in keeping with the security situation in the province "we shall have to consider step by step withdrawal."

But rushing the withdrawal as Mr. Pardoe had suggested was "giving joy to the provisional IRA and causing despair among the people."

Fight to win more time for debates on London

THE LONDON Chamber of Commerce has launched a campaign to win more Parliamentary time for consideration of London matters, and plans to help set up an all-party lobby of London MPs to press London's case in Whitehall.

Next week, the Chamber has organised a lunch for 30 London MPs which it hopes will lead to a formal London Parliamentary lobby.

The Chamber believes it can act as a catalyst to form such a group, and as "a broker" between the traditional Labour Party interest in inner London and Conservative Party interest in outer London.

The Chamber has also sent a letter to the Prime Minister expressing concern at how some legislation discriminates against London despite the structural, economic and social problems of the city.

In particular, the Chamber would like to see "a fairer hearing" for London problems in Parliament, and supports suggestions that more Parliamentary time could be allocated to these problems if the devolution proposals result in the transfer of Scottish and Welsh matters to devolved assemblies.

Jobs subsidy to be extended

THE GOVERNMENT'S £20-a week jobs subsidy for small companies is to be extended for another year and increased in scope, MPs were told.

The new scheme will be operated from January 1, and will be open for applications until March 31, 1980, Mr. Albert Booth, Employment Secretary, said.

The previous scheme was to have closed on March 31 next.

Mr Booth said that small manufacturing companies anywhere in the UK would be eligible for the subsidy which had previously been restricted to Assisted Areas and Inner City Partnership Areas.

For the first time, it would be open to companies in the non-manufacturing sectors of industry located in Development Areas and Inner City Partnership Areas.

Under the extended scheme, a subsidy of £20 a week for six months would be paid for each extra full-time worker taken on in manufacturing companies employing fewer than 200 people.

Under the present subsidy scheme, Mr. Booth estimated that 10,000 new jobs would have been created in a full year.

The subsidy would also cover small non-manufacturing companies in Development and Inner City Partnership Areas from January.

Most of the Government's measures to tackle unemployment, amounting to £450m-£500m, would run out next spring, and the Government was still considering measures to be enforced from April 1.

Mr. James Prior, Shadow Employment Secretary, said that if Mr. Booth made some sensible changes in the Employment Protection Act, he could get the extra employment without any subsidies at all.

Tories believed that such schemes had only a small part to play in solving the unemployment problem, but they welcomed its extension.

For the Liberals, Mr. Cyril Smith said that they did not totally agree with the Tories about the effect of the Employment Protection Act, but the vast amount of form-filling which had to be done by small companies was an absolute waste of time.

Pay guideline problem

BY OUR PARLIAMENTARY STAFF

NEITHER THE Government nor the Price Commission have the power to restrict prices simply on the ground that a company has reached a pay settlement above the pay guideline, Mr. Roy Hattersley, Prices Secretary, said in a Commons answer.

He was replying to Mr. Norman Lamont (Con., Kingston-upon-Thames) who asked what powers the Prices Department or the Price Commission had to order companies to reduce prices because they had awarded wage claims in excess of the Government's norm.

Mr. Hattersley said that although he had no powers to restrict prices simply because a company had breached the guidelines, both he and the Price Commission must have regard to a full range of matters referred to in the Price Commission Act 1977.

"These include the desirability of encouraging reductions in costs by improvements in the use of resources and of securing reductions in prices of goods and charges for services in consequence of such improvements.

"Increases in labour costs must clearly be taken into account."

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

Fast production of small batches of dough

BECAUSE DOUGH made with large batch mixers is produced in large quantities, and could become stale, a company promises to overcome this problem with the introduction of a mixer that makes small batches of dough at high speed.

The machine is called the 200 AHS, and automatically supplies up to 2,500 kg of hard dough and 1,800 kg of soft dough an hour. It has been introduced by the biscuit machinery division of Baker Perkins, Westwood Works, Westfield Road, Peterborough, PE3 6TA (0733-26200).

The design of the blade elements guarantees swift dispersion of ingredients and control of dough development, says the company. Ingredients loaded at one side of the mixing bowl are dispersed in seconds throughout the mix, resulting in greatly reduced cycle times.

Upon completion of a mix, the machine can be set to discharge through a chute which can be removed for cleaning. Alternatively, the machine can be arranged to discharge automatically into a trough, or close-couple hoist system.

The mix cycle can be set to pace production needs by a probe in the hopper of the forming machine. Where automatic discharge is used, the mixer will only discharge into an empty trough.

Especial attention has been given to safety. The mixer will not discharge unless the dough chute is exactly located. The front of the machine is guarded above the chute by a transparent hinged door which, when opened, instantly stops the tilt mechanism and the blades.

Will cut intricate shapes

THICK SHEETS of low-density material, such as expanded polystyrene, polyethylene foam, and all types of foam rubber, can be cut on a bench-mounted rig introduced by Welwyn Tool Company, Welwyn Garden City, Herts. (Welwyn Garden 29121)

Said to be capable of making straight cuts or producing intricate shapes in materials up to 3.2 inches thick, the equipment comprises an electrically-heated fretsaw and steel table assembly, so arranged that the blade passes through a hole in the centre of the working surface.

● MATERIALS

Substitute for asbestos

AN ALKALI resistant, inorganic fibre which is said to have excellent reinforcing properties, has been launched by Rockwool International AJS, DK-2640 Hedebusene, Denmark.

This has been developed in close co-operation with several of Europe's leading manufacturers of composite materials, primarily as an asbestos substitute, and is called Spinrock.

It is available in various grades, each intended to meet specific functional requirements in composite materials: asbestos cement sheets, inorganic millboards, calcium silicate boards and materials, paints, bitumens (in particular, asphalt for roads and roofing materials), plastics felts (used as backing to vinyl cushion flooring) fire-retardant chipboards and magnesia cement.

The Spinrock fibres are also being tested for a variety of other products, such as friction materials, gaskets and gypsum, and the company says that they are now being used in several countries as an asbestos substitute for calcium silicate products for the marine and offshore industry.

The company operates factories in Denmark, Norway, Holland and Germany and has offices in the UK and France. It is now constructing a £13m factory in Wales which will be in operation by the end of next year.

Asbestos is sealed

CRACKING OR spalling of asbestos linings create a potential hazard from dust. A filled polymer emulsion coating system has been designed which, says the maker, should form an impervious dustproof barrier around unsafe asbestos.

Called the Dee Cee system—and meeting the highest Class 7 BS476 flame retardant rating—it forms a high build seamless membrane which will totally encapsulate the lining. Once cured, the coating will resist a wide range of chemicals providing a completely impermeable barrier to water, oils and other forms of contamination.

Two coats, to a total film thickness of 400 microns, are recommended, and the coating can be applied by brush, roller or airless spray.

Further from Dee-Cee Contracts, 165a Upper Heath Lane, Dartford, Kent. (Dartford 72521)

● AGRICULTURE

Breaking up the ground

TWO SERIES of A-type mounted harrows and tandem-type harrows, each comprising three models, are offered by Ransomes Sims and Jeffries, Ipswich IP3 9QG (0473-72222).

The tandem harrows are basically mounted with working widths of 2.63 metres, 2.97 metres and 3.65 metres, and the largest model has wings which fold manually, with counter-balanced spring assistance, to give a transport width of 2.75 metres.

When penetration becomes difficult, the harrow can be worked with the wings folded, thus increasing the weight-per-disc ratio from 24kg to 34kg on the remaining 28 working discs.

The heavy 'A'-type versions are said to have an exceptionally high weight-per-disc ratio which gives them the ability to break down really hard land. The important option here is the semi-mounting kit which enables lower horsepower tractors to be used for working and transporting the harrows by reducing the load on the lifting capacity in the tractor hydraulic system.

The company has also announced two three-furrow reversible ploughs which will be publicly displayed for the first time at the Royal Smithfield Show next month.

The smaller is a lightweight three-furrow reversible for tractors in the 60hp range and has a width cut of 12 or 13 inches with clearances of 23½ inches underbeam and 30½ inches interbody.

The larger model is built to work in heavy trash conditions with a tractor in the 75 to 95hp range. Furrow widths are 13½ inches or 14½ inches, with clearances of 24½ inches underbeam and 34 inches interbody.

Increases the yield

PARAFFIN burning units that will raise the level of carbon dioxide in commercial greenhouses from the nominal 300 to about 2,000 ppm are available from Heylo Heating and Ventilating. Yield of both vegetables and flowers is claimed to be increased.

Made by the company's principals in Sarstedt, West Germany, the units are supplied in three sizes to service 7, 14 and 18 thousand square feet. Each consists of a robust steel cylindrical housing containing an axial fan, a pressure jet burner and a heat resistant chrome steel combustion chamber.

More from the company at 53, Fleet Street, London EC4Y 1BE (01-353 8601).

● QUALITY CONTROL

Ensuring a good joint

METALLIC materials differ both in the speed with which they can be soldered and the strength of adhesion of the solder to their surfaces. These two properties are collectively referred to as solderability. It is vitally important to control this, particularly in the electronics industry where numerous components from different sources and of different ages need to be assembled both quickly and reliably.

There have been various test methods proposed and standardised for quantitative and qualitative assessment of solderability over the last 15 years, covering round wire, tags, plated-through-holes and printed circuit boards.

Multicore Solders has drawn on its years of experience in this field to build a new Multicore Universal Solderability Tester. This microprocessor-controlled equipment complies with all relevant international, national and association standards including IPC, EIA, IEC, BS and DIN. Generally any plain or plated metal in sheet, wire or strip form may be tested. Results are automatically printed out.

Different test methods are achieved by quick and easy interchange of certain parts. One of them is the meniscus graphical wetting balance which traces the soldering speed and wetting force. Previous instruments have had to be connected to a high speed chart recorder whose graph then had to be analysed. The unit's microcomputer automatically prints out these measurements, thus eliminating the necessity of a separate chart recorder. It t...s represents a significant cost saving over the sum of purchasing different solderability testers for different components.

Multicore Solders, Maylands Avenue, Hemel Hempstead, Herts HP2 7EP. (0442 3636).

● ELECTRONICS

More on the chip

A SINGLE chip microprocessor from RCA Solid State uses the company's silicon-on-sapphire technology and is able to operate at 8 MHz with a supply voltage of 10 volts.

CDP 1804 is similar in structure to the earlier 1802 device but has added, on to the chip, two kilobytes of mask-programmable read-only memory, 64 kbytes of random access memory and an on-chip oscillator and counter-timer. It can be used in existing 1802 applications to reduce the component count and power consumption or to reduce the size of the final equipment.

Applications are expected where size and consumption are critical, including hand-held data terminals and portable data acquisition systems.

The CDP1804 is available for operation at 4 to 10.5 volts or 4 to 6.5 volts. Both types are supplied in 40 lead hermetic dual in-line packages for operation over the temperature range —55 to +125 deg C or in plastic packages for use over a lesser temperature range.

RCA Solid State Europe, Sunbury on Thames, Middlesex (Sunbury 85511).

● ENVIRONMENT

Atmosphere improved

PROMISING comfort to people who work in computer rooms, hospitals and public buildings such as museums and art galleries, is the Skuttle range of evaporative humidifiers from the U.S.

There are room console and ducted models. The console types are of steel construction with wood-grained furniture finish. Both models in this range are free-standing and able to be plumbed in for automatic water supply. Output ratings at 30 per cent relative humidity are 7.2 gallons per day for the Model 400, and 9 gallons per day for the 415.

Duct power humidifiers are available in eight models, having rated outputs ranging from 11.5 to 28 gallons per day, and have been designed to provide humidification for heating and air conditioning systems in supply or return air-ducts.

UK agent and stockist: Dalesman Scientific Co., 686 Bolton Road, Pendlebury, Manchester M27 2FH (061-794 8724)

● METALWORKING

Bar cutter from Russia

A COMBINATION punch, shear and bar cutter from Russia is being marketed in the UK by Machine Tool Agencies (1972), Wedgnock Industrial Estate, Rothwell Road, Warwick (0926-46361)

The Stanko universal metal-worker is designed for shearing flats, bar stock and sections, punching holes in flats and rolled section, and for notching operations.

The particular design of the machine provides for shearing section material at angles from 90 to 45 degrees to the longitudinal axis. A centering mechanism is provided which allows the bars and punch to be accurately located at the point of punching.

Powered by a 6-hp motor, the machine has a maximum round bar cutting capacity of 1½ inches diameter. Plate material up to ¾ inches thick can be handled by the plate shear, and the punch head is capable of producing 13/16 inch diameter holes in ¾ inch thick plate.

Maximum shearing loads that can be applied at various machine stations are section shears, 68 ton; plate shears, 35 ton; and punching press 49 ton.

The punch head has a maximum throat depth of 19½ inches, and for nibbling operations the punch can cycle at a rate of 43 strokes a minute. In the single stroke mode, it can be operated by a trailing foot-switch, conveniently located next to the head being utilised.

By using additional knives, says the company, the machine can handle RSJs I section, and constructional steels up to four inches standard section.

New West German lathe

A NEW bar, shaft and chucking lathe made in West Germany by Weiler GmbH and fitted with Siemens 5T or Sprint 'T' computer numerical control has been introduced into the UK by Stanton Machine Tools.

It is stated to be particularly suitable for the small batch manufacture of complicated parts and has a 16-station hydraulic tool turret mounted on compound slides for internal and external machining operations. Retooling is seldom required when changing production runs.

Main spindle motor power is 10.5 kW (14 hp), giving a 54-4000 rpm speed range suitable for machining of most metals. Maximum chucking capacity is 130 mm diameter, 130 mm long and maximum turning length is 205 mm. An optional bar feed attachment is available for 42 mm diameter round bar.

Stanton Machine Tools is part of the T. B. Robertson Group at Robertson House, Caxton Way, Holywell Industrial Estate, Watford, Herts. (Wateford 55333).

Heavy-duty threader

THREADING, CUTTING and deburring pipes from 2 inches up to 6 inches diameter can be done on a new machine by Neville Scales and Co.

Piset No. 6 is the largest machine in the series. Dieheads and dies for different pipe-sizes and BSPT or NPT threads can be changed within minutes: and bevelling dies are available for pipes that are to be welded rather than screw-connected. An automatic die-disengagement device controls the length of thread applied.

To minimise manual lifting of heavy pipe, the machine is normally supplied as a low-level trolley-mounting unit. There is a choice of three-phase or single-phase motor, the latter instantly switchable from 110 V for site work to 220 V for factory use. The machine is intended for heating and ventilating contractors, gas and water engineers, and all industries concerned with the installation and maintenance of pipework and pipelines.

A three-speed gearbox enables metal-cutting speed to be matched to pipe circumference and the power available.

The machine's hollow spindle means that there is no restriction on pipe length. The pipe is inserted into the spindle and firmly gripped by a hammer-chuck at the front and a hand-wheel-tightened scroll-chuck at the rear. Optional roller-topped V-stands support the far end of long pipes.

Neville Scales, 34 Priests' Bridge, London SW14 8TA 01-876 8796.

Notching machine agreement

REDMAN Engineering (Redman Heenan Group) has concluded a licensing agreement with Ludwig Boschert GmbH and Co., West Germany.

Under the agreement, Redman Engineering will have sole UK selling rights in respect of Boschert products, including its LB 15 hydraulic notching machines. Boschert also manufacture a stamping/pressing attachment which can be mounted at the side of the LB 15 machine.

A problem solved

ECLIPSE PERMANENT magnet chucks from James Neill (Sheffield) have solved a jig holding and locating problem in the manufacture of special and prototype components for the aerospace and power generation industry.

Turbine Services, of Hatfield, uses spark erosion machines to work to very high accuracy on short runs of small components such as turbine blades. The electrode-holding jigs are suspended from the head of the machine and a special set of electrodes is required for each individual job.

Some jigs are multiple units for machining several similar components at one time and could weigh up to 200 lb. Turbine Services required a means of holding these jigs safely, rigidly and precisely, yet one easy to change over.

The machines were originally fitted with electromagnetic holders, but these were of limited holding power and liable to accidental release through power failure or inadvertent switch-off, resulting in damage to expensive electrodes and loss of time in preparing the jigs.

In conjunction with James Neill's technical advisers, tests were carried out on standard permanent magnet lathe chucks. These tests showed that they were fully capable of suspending loads of 150 lb and 200 lb respectively, with adequate factors of safety, given certain conditions on material type, thickness and surface finish.

James Neill (Sheffield), Napier Street, Sheffield S11 8HB (0742 71281)

The Management Page

EDITED BY CHRISTOPHER LORENZ

How ICI covers itself against currency losses

BY NICHOLAS COLCHESTER

"THE FALL of the dollar threatens to plunge the world into recession" and "the floating exchange rate system is sapping the growth out of world trade." These are two sayings for 1978 which a small group of economic leaders and leader writers regard as axiomatic. Many other people take their word for it, without quite understanding why.

It may seem strange therefore to report that Alan Clements, the treasurer of Imperial Chemical Industries, last week appeared unruffled by developments which left the international currency and capital markets quite breathless. ICI has one third of its assets outside the UK. Sixty per cent of its sales are overseas and generate 50 per cent of the group's profit. This multinational company should be as good a guide as any to the problems of doing business in a world of swiftly fluctuating exchange rates.

The fall of the dollar has not threatened ICI because, to put it baldly, the $700m annual flow of dollar payments into ICI UK roughly matches the flow of dollar payments owed. Both these in- and out-flows include all categories of payments — dividends, debt service and repayment, current and capital expenditure and so on— but the main inflow results from export sales invoiced in dollars while the main outflow consists of ICI's dollar related purchases of crude oil and naphtha.

Yet the important point is less that this fortunate match exists than that Mr. Clements and his team at ICI Finance *know* that it exists. Six years of living with flexible exchange rates have led ICI to develop a system which continuously quantifies the group's exposure in any currency. It allows ICI to minimise such exposure by "leading and lagging"—that is, by hastening some payments and delaying others within limits laid down by the Bank of England. ICI can also consciously store currencies in "holding accounts" to meet later payments. Any unbridgable gaps which are left are either covered in the forward market or borne as an acceptable risk.

The ICI system concentrates on currency conversions which really will take place. Cross frontier payments are predicted in detail six months into the future and in more general terms to one year ahead. A "cash centre" in each currency area pools all the predicted receipts and outgoings of the subsidiaries operating in its area, distinguishing between inter group payments and other payments. ICI Finance in London pulls the different reports on currency flows and exposure together into a group picture

In principle it is up to each cash centre to secure its own forward cover following advice from London: but ICI Finance first makes sure that exposures are minimised by altering the timing of intergroup payments and by cancelling out surpluses and deficits with intergroup loans.

This procedure minimises what Mr. Clements calls the "economic exposure." But unfortunately he has to deal with two other, mutually related, exposures which he calls "accounting risk" and "market evaluation risk." The accounting risk arises from the fact that changes in the sterling value of the balance sheets of ICI's foreign currency subsidiaries have an impact on ICI's sterling profit. For instance in 1977 shifts in the value of ICI's current assets abroad contributed a loss of £29m after having contributed a profit of twice that amount the previous year.

The market valuation risk is the effect which these ups and downs have on ICI's share price. Mr. Clements notes that investors tend to favour steady growth in earnings. Yet despite the fact that ICI's cash centres may hedge entirely successfully against currency losses arising out of actual movements of money, they may find the ICI share price affected by valuation adjustments which have no impact on the financial integrity of ICI's component parts.

In the U.S., the notorious accounting standard FASB 8 amplifies the accounting risk because it insists that fixed assets, and possibly stocks, too, must not be revalued at year-end exchange rates. Thus, some treasurers are taking steps to provide themselves with foreign exchange cover that compensates for these balance sheet gains and losses. Alan Clements is sticking for the moment to economic cover. Part of his problem is that ICI's moves to hedge against currency fluctuations are circumscribed by the Bank of England's exchange control.

ICI is quite tightly constrained by the Exchange Control rules in arranging forward cover and in using holding accounts to reduce the amount of cover needed. The company must be able to provide the Bank of England with the contracts which show that currency flows are going to take place if they are to be eligible for forward exchange cover. ICI's own business projections, however certain, do not suffice. At the same time ICI UK can hold currencies to cover future outgoings for a maximum only of a month. These restrictions, which are aimed at preventing ICI from becoming an engine of speculation, make a switch to accounting cover impossible.

The basis of ICI's foreign exchange exposure is its invoicing policy. ICI UK could in theory greatly reduce its exchange risk by billing in sterling. In practice it tends to bill its direct exports in a selection of strong currencies and the sales to and by its overseas subsidiaries in their local currencies.

Local subsidiaries are bound to sell in their own currencies if they are to develop their presence in local markets. That being so, ICI UK bills them in the same currencies, preferring to deal with the exchange rate exposures on inter-group payments centrally rather than leave it to the subsidiaries. If an overseas subsidiary is itself exporting, ICI still bills its own sales to that subsidiary in its local currency.

For direct exports, which account for about 50 per cent of the products that ICI sends abroad, the company also avoids sterling invoices where possible. It prefers to bill in a chosen series of foreign currencies, mostly strong against sterling but with good forward cover available. ICI likes this, first because benefits from sterling's weakness come through faster —it requires no decision to raise the sterling price abroad —and second because it helps provide the foreign exchange needed to cover ICI's substantial purchases abroad.

It is interesting to note that despite the recent weakness of the dollar the company still has not abandoned the dollar as one of the preferred invoicing currencies. This reflects ICI's view that the dollar will continue to be a strong currency in the long term. But the benefit of "matching" ICI's dollar payments is also a factor. Moreover some 35 per cent of ICI UK's overseas sales are invoiced in dollars and this is not a proportion which can be changed at whim.

As the UK cash centre, ICI Finance monitors all the direct foreign currency receipts and expenditures that are predicted, whether from direct exports or from subsidiaries abroad, together with the other categories of international cash flow —dividends, interest and so forth—to give a picture of its net exposure into the future. After having decided what part of this exposure can be removed with the aid of holding accounts, ICI Finance then decides how to deal with the final irreducible risk that is left.

Alan Clements, matching currencies.

It is here that ICI can become involved in "speculation" in the narrowest sense of the word —in the broader sense the whole of ICI's international investment and marketing strategy involves a view about exchange rates and thus "speculation." It could cover itself forward: in practice ICI Finance does take a view on how, say, a spot rate in six months' time will compare with the current six month forward rate and opts for what it believes to be the cheaper path.

ICI Finance can measure its performance in reducing currency exposure and in taking a view on what remains. It takes all future receipts and payments off the UK operating divisions at market forward rates— thus effectively providing them with forward cover at a commercial rate. At the end of the day ICI Finance hopes that its net sterling payments to these operating units will be more than covered by the sterling it has received through its currency operations on their behalf. This profit is a measure of ICI Finance's success.

With this system in place, and after six years of practice, Alan Clements does not feel strongly about the need for a return to a fixed exchange rate system. In his view a fixed rate system could not have been sustained through the oil crisis of the early seventies. Nor does he expect ICI's exchange rate environment in the near future to be much different from that in the recent past.

He does, however, hope for a period of calm in the currency markets. ICI needs this, he says, to "really work out what the impact of floating exchange rates on our profitability has been and to be able to give better advice to our commercial people." Last week's currency movements led some people in ICI Finance to wonder whether floating exchange rates could really be lived with. They now need a smoother patch to get their bearings again.

An aid to better industrial relations

IN THE middle of February next year a handful of senior managers from industry will gather at Warwick University for an unusually exclusive industrial relations course.

Like its two predecessors in 1976 and 1978, the course will last five fairly gruelling weeks, and numbers will be limited to no more than 12 managers — and quite probably less.

The typical student will be a personnel manager, industrial relations officer or a line manager. He or she will have had a number of years' experience in management and a fair experience of industrial relations. And on past form, the student will have been responsible for industrial relations in a plant or organisation for at least a few hundred employees, or up to several thousand.

Also on past performance, the managers attending will come from large organisations such as Unilever, ICI, Rolls-Royce, Lucas and Albright and Wilson. Not that senior managers from smaller companies with industrial relations responsibilities would not benefit from the course, but they might find it even harder to leave their companies for five weeks than those who come from larger organisations already do.

The course is run by Hugh Clegg, the widely respected professor of industrial relations at Warwick University, and it has a double-edged benefit. For the managers, it is a chance to gain an education in industrial relations which would be hard to find elsewhere. For Warwick's part, the industrial relations department benefits from learning managers' views and making contact with companies.

Like many academic industrial relations departments, Warwick's was both educating its full-time students and running educational courses for trade union officers. But Clegg realised that his department was not contributing towards the education of senior management.

He rejected any ideas of the traditional course for managers: he did not believe that a short course of lectures would meet the needs of senior managers.

As Clegg explains: "In our view, the need was for a course which gave the time and resources to develop the capacity and to analyse industrial relations problems and generate ideas for their solution."

The course itself is divided into two official parts: the theoretical and the practical, and there is a third informal part which is equally important. The theoretical side of things consists of a daily lecture on one of five subjects. These are: industrial democracy: collective bargaining structure: trade union organisation: white-collar problems: and industrial relations and the law. For each of the seminars there is a considerable amount of background reading for the managers.

The other major official part of the course is a practical project based on a particular problem at a manager's own plant or factory. Examples of these taken from this year's intake include: considering ways of improving communications, examining the scope for the introduction of systems of productivity bargaining, and investigating the operation of incentive payment systems.

One problem with the projects has been that only about one-half of the students have been completing them: but Clegg is emphatic that they have great value in concentrating the mind. Many of the managers agreed that the project was the "lynch-pin."

There are two further unofficial benefits for the managers. One is the considerable number of guest evenings held when industrialists, academics and trade unionists come to Warwick as guests and find themselves talking half the night with the managers: the other benefit is derived simply through talking over problems with colleagues from other industries.

Earlier this year, Hugh Clegg held a one-day meeting of all the managers from the first two courses, together with senior representatives from the companies which had sent them. What was surprising was the degree of enthusiasm shown by all those present for the courses —not just from those who had been on them, although it was admitted that the benefits were not easily quantifiable.

The course may have obvious benefits to industry, and no doubt if it were more widely available could lead to better industrial relations. But there are two problems. One is the limited number of industrial relations departments such as Professor Clegg's. Second is the number of companies which can spare a senior manager for five weeks. This point is illustrated by the fact that the course starting in February, 1979, is not yet full. The closing date is November 30 and the cost is £1,150 inclusive.

Jason Crisp

Business courses

Corporate Planning in Practice. University of Bradford, West Yorkshire, November 20-24. Fee: £225. Details from Management Centre, University of Bradford, Heaton Mount, Keighley Road, Bradford, West Yorkshire, BD9 4JU.

Managing Foreign Exchange Risk, London Press Centre, November 20-21.

Profitable Technology Transfer Through Human and Managerial Effectiveness. Hyde Park Hotel, London, November 20-21.

Executive Secretaries. Amsterdam, November 29-December 1. London, December 4-6.

Critical Legal Issues in the Euromarkets. London Press Centre, December 4-5. Details of the above four courses from AMR International, 6-10, Frederick Close, Stanhope Place, London W2 2HD

The Skills of Overseas Buying. Leamington Spa, December 1. Fee: £60 plus VAT.

The Art of DP within Materials Management. London, December 5 Fee: £60 plus VAT.

Concise Law for Purchasing Executives. London, December 5-6. Fee: £100.

Measuring Purchasing Performance. London, December 6, Fee £60.

Warehousing and Distribution in Materials Management, London, December 7. Fee: £60. Details of the above five courses from Purchasing Economics Ltd., Pel House, 35, Station Square, Petts Wood, Kent BR5 1LZ.

Systems Design from Microprocessors. London. November 27-29. Fee: £180 plus VAT. Details from Inter-projects Ltd., Church Street, Edmonton, London N9 9DY.

Distribution award

A new management award is to be made to companies showing the highest professional approach to physical distribution, announced Leonard Regan, chairman of the Board of the Centre for Physical Distribution Management (CPDM), part of the British Institute of Management, yesterday.

The awards are to be made on the basis of a written submission describing a project which has resulted in the improved use of resources in physical distribution. Regan, who is chairman and chief executive of Carrington Viyella, said: "Through the publicity which this scheme will attract we hope that some of the principles, techniques or philosophies which have made possible the better use of resources, will be shared by others and in this way contribute to greater efficiency in the field." Regan told a conference in Birmingham.

The awards will be made in three categories for companies with distribution costs of (i) less than £1m a year, (ii) between £1m and £10m, (iii) over £10m a year. The scheme is sponsored by Lloyds List.

مكتبة الأصل

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Specification for manual version.
Engine: six cylinder with electronic fuel injection, in-line, OHC, 2788cc producing 177 bhp (DIN) at 5800 rpm.
Performance: 0-60 in 9.2 secs. Maximum speed: 129 mph.
Source of figures BMW.

Price: £8,899. Price correct at time of going to press

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LOMBARD

Competing with Germany Inc.

BY MARY CAMPBELL

THE GERMANS have now finally admitted defeat in their struggle with the Brazilian Itaipu consortium. The terms on which they will finance their latest batch of exports for the $8.8bn hydro-electric scheme are even more generous than the Brazilians maintained that they would be. And this after arguing that premature publication of the terms by Brazil in the summer was more of a negotiating ploy than a statement of fact.

The margins being paid by the Itaipu consortium on the new $250m Euromarket loan range from one per cent on a $125m ten-year tranche through 1⅛ per cent on a $75m twelve-year tranche to 1⅜ per cent on $50m fifteen-year tranche. The one per cent level for ten years is not new (it was reached on another recent loan, for Nuclebras, which was also arranged by a German bank for a project involving German exports). However the last fifteen year loan for a Brazilian borrower had the margin set at 1½ per cent, and carried a shorter grace period before repayments were due to start.

Irrelevant

The precise details of how this loan breaks new ground are, however, all but irrelevant to those outside the Euromarket. What is important is that this loan is but the latest example of the German banks caving in to the demands of their domestic and foreign customers in order to ensure that there would be no obstacle to speedy activation of export contracts. The other celebrated example recently was the financing for the steel reduction plant at Warri in Nigeria.

In the original contract for this plant the Nigerians agreed to pay cash. However, when they found themselves running short of money, the terms of the contract were re-negotiated to include a DM 1.25bn financing guaranteed by Hermes (the German export credit agency) and a DM 750m unguaranteed loan from German banks. So far so good.

But this was by no means the end of the story. The proposed DM 750m loan was found to be a big obstacle to the arrangement of a $1bn Eurocurrency syndicated loan which the Nigerians were also planning to raise. Indeed, not least because of this, the $1bn loan was cut to $750m. As in the new case of the Itaipu loan the German banks eventually bowed to pressure from the borrower, and added it into the $750m proposed loan.

The kinds of pressure which have been put on the German banks are reasonably clear. Neither in the case of Warri nor in the case of Itaipu did they expect the projects to be called off if they refused to submit to the exporters' and borrowers' requests (though there was a sporting chance that the Nigerians might call off Warri). Nor was there much likelihood that the contracts would be switched to suppliers from other countries. What was at stake was the speed with which the contracts would be translated into work for the German companies involved.

German banks say that not least of the pressures placed on them to change their minds on financing terms have been from the German companies for whom these export orders are crucial.

In the case of the new Itaipu loan indeed German banking sources say that the suppliers may make up the margins payable in order to increase the yield to the banks above what Brazil is nominally paying. But although the closeness of the relationships between exporters and banks in Germany is a major factor, the point at issue goes beyond this. As with Japan, there is an element of Germany Inc. about the way in which the Germans—bankers, industrialists and government alike—handle their external financial affairs.

Market trends

Since the Japanese authorities last week told the Japanese banks not to cut margins in international lending (and caused them to drop out of a big low margin loan to prove the point) the attention of those who object to cut-throat competition in the Euromarkets should surely shift to the German banks. Apart from the U.S. banks—which have unsuccessfully tried to hold the line on margins at several levels and are not lending aggressively at present—the Germans are the only other national group big enough to swing the trends of the market.

It is also arguable that the way banks generally are increasingly using the Euromarkets to support their countries' export promotion programmes could well be the subject of closer attention from the OECD group which sets guidelines on antisocial competition in export finance.

The British and American banks are least good at this. But to match Germany Inc. and Japan Inc they would have to develop America Inc. and Britain Inc. And that does not look probable.

AROUND BRITAIN

NOTTINGHAM

The city slum becomes a small workshop

BY ANTHONY MORETON

NOTTINGHAM is a city with a strong base in a diversified manufacturing industry. Because of this spread it has managed to hold on to much of its prosperity through the present depression.

It is the home of John Player and sons, Raleigh and Boots, and though the traditional textile industry has declined considerably Bairnswear, Meridian and Speedo (Europe), the swimsuit firm, are still active. And the city houses Stag Cabinet, Crosland Filters, Bell Fruit Manufacturering and W. J. Furse which make furniture, components for the motor industry, amusement machines and stage accessories respectively.

The massive redevelopment of the city centre and the decaying inner areas, such as Meadows and St. Ann's, in the 1960s, however, played havoc with small businesses, and as in Birmingham when the inner-road schemes were being built, most of them were squeezed out.

An effort was made to encourage these concerns to move to premises on estates on the fringe of the city but no one fully appreciated their needs and when the small premises that they required were not available they just folded.

The crunch came when the large concerns, to which they were frequently invaluable suppliers of small-batch or specialist component supplies, suddenly found their sources drying up. At this point the city came up with an imaginative idea of converting houses that were scheduled for demolition into small workshops.

The council could do this economically because it was not necessary to reinstate the houses to the same standard as if they were destined for people to live in. The upstairs rooms, for instance, have been cleaned up and made safe, but nothing elaborate done, and heating has been left to the tenants. Lavatories have been installed and hot and cold running water but otherwise the shell has been left to the tenant to use in whatever way is suitable for his business.

The first phase of the house-shells conversions was approved by the council in the autumn of 1975 and involved work on a terrace of five houses. Within two months of completion they had been let, at rents of about £7 a week, to a joiner, printer, metal polisher, wrought-iron manufacturer and a builder. Each is a one- or two-man business.

Problem solved

Capitalising on the success of this project Nottingham made plans to convert a second terrace of nine houses. Work began on these in July and it is hoped to have tenants in by the start of December. For about £60,000, workshops with a useful life of 15 to 20 years will have been created.

There was an initial problem in interesting such small businesses in the new concept. But the council discovered that once the first tenant was in, the rest quickly followed.

Smith and Emerson is the firm of joiners. The two men were previously in Radford but when they had to move out they found it difficult to find a suitable alternative. "The places we looked at were charging £25 to £30 a week in rent and that is a lot to make up. This is cheap, convenient and a great advance on anything else we saw," they said.

Nottingham would like to extend the scheme but has run up against the problem that as its slum-clearance programme runs down it has become increasingly difficult to find premises which can be suitably adapted.

Instead, it is developing a rather more sophisticated version of the house-shell concept by building small workshops which are little bigger than a double garage. These have an area of just under 600 sq ft.

Not all have been completed but even so they have been sufficiently successful for reservations already to have been placed on the great majority of them. Again, they are aimed at the one- and two-man business and one project, Freeth Court, is already occupied by a metal fabricating business, a printer, a light-engineering concern and a miller and turner.

The council sees itself as being in the business of providing accommodation between 500 and 5,000 sq ft. After that it concedes that the role of providing space should be the responsibility of the commercial sector. Interestingly, some of the developers which have been providing factories are now looking to smaller units and so long as the cost to the user is not prohibitive the council is pleased with this development.

The council has also decided to put up small units at Ashling Court providing around 1,500 square feet of space—enough for a businessman with four or five employees. By now, its small-factory programme had gained sufficient impetus for three-quarters of the units to have been let, at rents ranging from £1,650 to £1,950 a year, before completion of the development.

The smallest of these employs three people and there is one firm, in larger premises, with 10; but the average is five.

The initial aim was not necessarily to provide for a business to grow larger and take on extra men, though that has happened in at least one case. The intention was to provide an opportunity for the small man to carry on his skills in premises which were suitable and at a cost he could bear. The intention has been amply fulfilled and Nottingham can be well pleased with its ingenuity.

Corinne Cockrell

Patrick Loftus (left) and Nigel Wrigley—they make wrought iron gates and security grills in one of the council's converted terraces

Essex looks best bet of Dunlop's fancied four

RACING

BY DOMINIC WIGAN

JOHN DUNLOP, who has succeeded in keeping his Arundel team in outstanding form since the outset of the French campaign in February, looks set to wind up the flat racing season on a high note at Doncaster.

He fields four likely-looking chances, all partnered by Carson, on Town Moor this afternoon, and sees the William Hill November Handicap favourite, Falls of Lora, among his runners.

My idea of Arundel's best betting propositions on today's jackpot card is Essex in the 1½-mile Town Field Handicap. This good-looking half-brother by Tudor Melody to Desert Way has improved considerably in the last two months and could well be a step or two ahead of the handicapper.

I take the lightly-raced Dunlop bay, a son of that game sprinter Fashion Model, to prove that theory with a clear-cut success over the disappointing Kingsclere filly Nesting, to whom he will be conceding just 6 lb.

An hour after the Town Field Handicap, Dunlop may well be back in the winner's enclosure to greet another smart three-year-old, the Great Nephew colt Overtrick. Although this tough little sprinter has a string of zeros against his name, he has not been running too badly in the fast conditions of the abnormally dry autumn which has been all against him.

On today's perfect ground and over a stiff six furlongs—his ideal trip—Overtrick seems sure to go close with his burden of 8 st 8 lb.

At today's principal jumping meeting, Cheltenham, I shall be disappointed if Honegger cannot give weight and a beating to the trio who face him in the Lansdown Hurdle for four-year-olds.

Earlier, Ramblix may just be good enough to give 3 lb to Roadhead, despite the lack of a recent outing.

Looking ahead to tomorrow's big race at Cheltenham, the Mackeson, both the favourite, Bishop's Pawn, and his market rival, Kilbroney, remain in strong demand. Bishop's Pawn is down to 3-1 with the Tote, and it has had to trim Kilbroney half a point to 9-2.

Cheltenham prize money will total £421,150 for the 16 days racing in 1979. The increase of just over £79,000 is 23 per cent up on the 1978 figure.

Prize money at the National Hunt festival meeting will average more than £74,000 a day. Seven new sponsored events are planned for the second half of the current season.

DONCASTER

2.00—Glenjade
2.30—Essex **
3.00—Liberated
3.30—Overtrick *
4.00—Bulging Pockets

CHELTENHAM

1.50—Ramblix
3.30—Honegger ***

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the Box Office.

OPERA & BALLET

THEATRES

THEATRES

CINEMAS

CLUBS

TV/Radio

† Indicates programme in black and white

BBC 1

10.00 am For Schools, Colleges. 10.45 You and Me. 11.05 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Heads and Tails. 2.02 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Hong Kong Phooey. 4.30 Jackanory. 4.45 Captain Caveman. 4.55 Crackerjack.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
7.00 Tom and Jerry.
7.10 Star Trek.
8.00 Going Straight.
8.30 Rings on their Fingers.
9.00 News.
9.25 Target.
10.15 Tonight—In Town (London and South-East only).
10.45 Regional, National News.
10.50 The Late Film: "Don't Make Waves" starring Tony Curtis.

All Regions as BBC 1 except at the following times:—

Wales — 11.05-11.25 am For Schools. 1.45-2.00 pm Nant-y-Pant. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.30-8.00 Cawl A Chan. 10.15 Kane on Friday.

Scotland — 10.23-10.43 am For Schools. 5.55-6.20 pm Reporting Scotland. 10.15 Spectrum.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 The World of Percy French.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) John Bunyan of Bedford; Midlands (Birmingham) Hurdy Gurdy; North (Leeds) Close-up North; North East (Newcastle) Friday North; North West (Manchester) Home Ground; South (Southampton) It's Your Bid; South West (Plymouth) Peninsula; West (Bristol) Public Life.

BBC 2

11.00 am Play School (As BBC 1 3.55 pm).
1.35 Racing from Cheltenham.
5.35 News on 2 Headlines.
†5.40 Laurel and Hardy Showcase: "Helpmates."
6.00 The Voyage of Charles Darwin.
7.00 Mountain Days.
7.30 Mid-Evening News.
7.35 Delia Smith's Cookery Course.
8.00 Top Crown. BBC 2 Masters Bowls Championship (Final).
8.30 Westminster.
9.00 Butterflies.
9.30 Horizon.
10.25 Sounds Like Friday: Leo Sayer.
10.55 Late News.
11.10 Rock Goes to College.
11.50 Closedown (reading).

LONDON

9.30 am Schools Programmes. 11.54 Beany and Cecil Cartoon. 12.00 Song Book. 12.10 pm Rainbow. 12.30 Three Little Words. 1.00 News plus FT index. 1.20 Thames News. 1.30 Farmhouse Kitchen. 2.00 Money-Go-Round. 2.25 Friday Matinee: "Lost Flight" starring Lloyd Bridges. 4.15 Raven. 4.45 Magpie.
5.15 Thames Sport.
5.45 News.
6.00 Thames at 6.
6.30 Emmerdale Farm.
7.00 Mixed Blessings.
7.30 Sale of the Century.
8.00 General Hospital.
9.00 Best Sellers.
10.00 News.
10.30 Best Sellers (continued).
11.15 Police 5.
11.25 The London Programme.
12.25 am George Hamilton IV.
12.30 Close: Wilfred Owen poem read by James Coyle.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.25 Friday Film Matinee "The Charge is Murder," starring Richard Chamberlain. 5.15 Happy Days. 6.00 About Anglia. 11.15 Probe. 11.45 Dylan Thomas—Conversation in the Park. 12.30 am Men Who Matter.

ATV

1.20 pm ATV Newsdesk. †2.25 Movie Matinee: "Connecting Rooms," starring Bette Davis and Michael Redgrave. 5.15 Happy Days Anniversary Show. 6.00 ATV Today. 11.15 Soap 11.45 "The Shadow."

BORDER

†1.20 pm Border News. 2.25 Matinee: "Flight of the Doves," starring Ron Moody and Jack Wild. 5.15 Garnock Way. 6.00 Lookaround Friday. 6.30 Thingummyjig. 11.15 The Liberace Show (34th anniversary show of Liberace's debut in Las Vegas). 12.15 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's on Where. 1.30 First Act. 2.25 The Friday Matinee: "The Impossible Years." 5.15 Emmerdale Farm. 6.00 Channel News. 6.10 The Senators Forum. 7.30 Bernie. 10.28 Channel Late News. 11.15 George Hamilton IV. 11.45 Barnaby Jones. 12.40 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. †2.25 Friday Matinee: "Man in the Moon," starring Kenneth More. 5.15 Emmerdale Farm. 6.00 Grampian Today. 6.30 Mixed Blessings. 7.00 Welcome to the Ceilidh. 11.15 Reflections. 11.20 Westside Medical. 12.10 am Grampian Late Night Headlines, followed by Road Report.

GRANADA

1.20 pm This is Your Right. 1.30 The Amazing World of Kreskin. 2.25 Friday Matinee: McMillan and Wife. 5.15 This is Your Right. 6.00 Granada Reports. 6.30 Kick-off. 11.15 Reports Extra. †11.45 The Untouchables.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Women Only. 2.25 The Friday Film: "The Impossible Years," starring David Niven and Lola Albright. 5.15 Laverne and Shirley. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 10.35 Report Extra. †11.05 The Friday Film. "The Mummy's Shroud."

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.15-4.45 Plant y Byd. 6.00-6.15 Y Dydd. 10.35 Letter by Letter. 11.05 Outlook on Agriculture. 11.35-12.30 am The Outsiders.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 pm News and Road Report. 1.30 Houseparty. 2.25 Friday Matinee: "Flight of the Doves," starring Ron Moody, Jack Wild and Dorothy McGuire. 5.15 Mr. and Mrs. 6.00 Scotland Today. 6.30 Emmerdale Farm. 7.30 Welcome to The Ceilidh. 8.00 Charlie's Angels. 9.00 General Hospital. 10.30 Ways and Means. 11.00 Late Call. 11.05 Appointment With Fear: "The Night Stalker," starring Darren McGavin and Carol Lynley.

SOUTHERN

1.20 pm Southern News. 2.00 Women Only. 2.25 Friday Matinee: "The Widow." 5.15 Happy Days. 6.00 Day by Day. 6.00 Scene South East (South East Area only). 6.30 Tell Me Another. 9.00 Lillie. 10.30 Weekend. 10.35 The Southerners. 11.05 Southern News Extra. 11.15 Soap. 11.45 The Late, Late Show: "The Bitter Tears of Petra von Kant."

TYNE TEES

9.25 am The Good Word, followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.25 Friday Matinee: "Flight of the Doves." 5.15 Mr. and Mrs. 6.00 Northern Life. 6.25 Sportstime. 7.00 Sale of the Century. 7.30 Mixed Blessings. 11.15 Richie Brockleman. 12.15 Epilogue.

ULSTER

1.20 pm Lunchtime. 1.30 Rolf Harris. 2.25 Friday Matinee: "Flight of the Doves," starring Ron Moody, Jack Wild, Dorothy McGuire and Stanley Holloway. 4.13 Ulster News Headlines. 5.15 Mr. and Mrs. 6.00 Reports. 6.25 Sportscast. 7.00 Sale of the Century. 7.30 Mixed Blessings. 11.15 Dylan Thomas. 12.00 Bedtime.

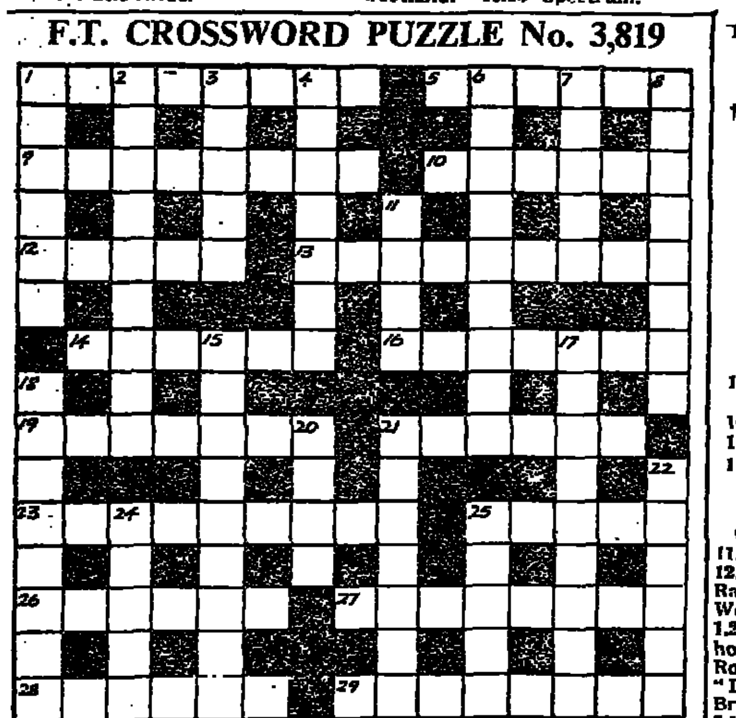
WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 1.30 First Act. 2.25 The Friday Matinee: "The Impossible Years," starring David Niven. 5.15 Emmerdale Farm. 6.00 Westward Diary. 6.35 Time Out. 7.30 Bernie. 10.28 Westward Late News. 11.15 George Hamilton IV. 11.45 Barnaby Jones. 12.40 am Faith for Life.

YORKSHIRE

1.20 pm Calendar News. 2.25 Friday Film Matinee: "Flight of the Doves," starring Ron Moody. 5.15 Happy Days. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Calendar Sport. 11.15 Richie Brockleman. 12.10 am Oscar Peterson presents . . . Count Basie and Joe Williams.

F.T. CROSSWORD PUZZLE No. 3,819



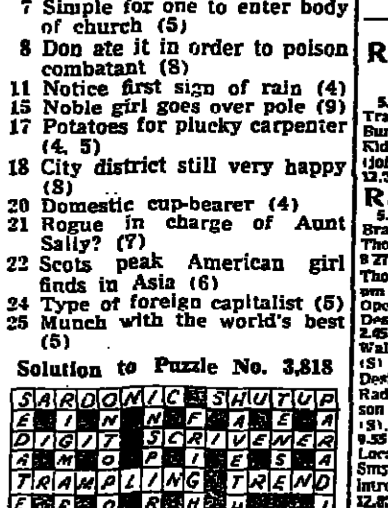
ACROSS

1 Put one can in suitcase to finish (4, 2, 2)
5 Programme takes time and change (6)
9 One of the hazards of billiards (2, 3, 3)
10 Horseman's rope can be a trial (6)
12 Thief accepting bet (5)
13 Fear to arrest (9)
14 Recommend favourite cloak (6)
16 Consideration nevertheless given to Turkish capital (7)
19 Beast not playing the game they say (7)
21 Side in steam yacht initially suffering from condensation (6)
23 East-end stray one politician has to land (9)
25 Accountant caught man in hiding place (5)
26 Bird needs to briefly mount it (6)
27 Way part of west London meets crime (8)
28 Doggy preserve in one direction (6)
29 Offer support to ring Sarah (8)

DOWN

1 Periods for diverting trains . . . (6)
2 . . . the bandy way (9)
3 Conclude hell has no ending (5)
4 Roughly elected by demand (7)
6 Message from duke enclosing musical decoration (5, 4)
7 Simple for one to enter body of church (5)
8 Don ate it in order to poison combatant (8)
11 Notice first sign of rain (4)
15 Noble girl goes over pole (9)
17 Potatoes for plucky carpenter (4, 5)
18 City district still very happy (8)
20 Domestic cup-bearer (4)
21 Rogue in charge of Aunt Sally? (7)
22 Scots peak American girl finds in Asia (6)
24 Type of foreign capitalist (5)
25 Munch with the world's best (5)

Solution to Puzzle No. 3,818



RADIO 1 247m

(S) Stereophonic broadcast.
‡ Medium wave.

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.30 Take Your Partners (S) (joins Radio 2). 10.02 John Peel (S). 12.30-2.02 am As Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Tony Brandon (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause For Thought. 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Take Your Partners in the Radio 2 Ballroom (S). 8.02 Neil Richardson conducts the BBC Radio Orchestra (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.02 Support Your Local. 10.30 Let's Go Latin with Pat Smythe and Sirocco. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3 464m, Stereo & VHF

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: The Court of Henry VIII (S). 9.35 Young Artists Recital (S). 10.35 Delius (S). 10.55 Unaccompanied Bach (S). 11.30 Russian Song Recital (S). 12.15 pm Cardiff Midday Prom, part 1: Respighi, Dragonetti (S). 1.00 News. 1.05 Playbill (S). 1.20 Cardiff Midday Prom, part 2: Tchaikovsky (S). 2.00 Ives and Beethoven Piano Trios (S). 3.10 English Wind Music and Songs (S). 3.50 Historic Performance on Records: Albert Sammons plays Elgar. 4.35 Two Elizabethan Exiles (S). 5.05 Homeward Bound (S). 6.30 News. 6.35 At Home: A Janet Baker recital of songs by Schubert, Strauss, Britten. 7.30 BBC Northern Symphony Orchestra part 1: Walton, Britten (S). 8.15 British Theologians and the Third Reich (talk by James Bentley). 8.35 BBC Northern Symphony Orchestra, part 2: Elgar (S). 9.40 John Jenkins (S). 10.30 Music Now. 11.15 Alistair Cooke's Jazz 20s. 11.45 News. 11.50-11.55 Tonight's Schubert Song (S).

Radio 3 VHF only—6.30-7.30 pm Open University.

RADIO 4

434m, 330m, 285m and VHF

6.00 am News Briefing. 6.10 Farming Today. 6.30 Today Magazine, including 6.45 Prayer for the Day. 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Local Time. 9.35 The Pleasure Principle. 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way visits Cranleigh, Surrey. 11.45 My Life in The Army (second of two talks by Clement Freud). 12.00 News. 12.02 pm You and Yours. 12.27 My Word! (S). 12.55 Weather programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour from Bristol, including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre. 4.00 News. 4.05 A Land Once Distant and Alone: Gwyn Thomas explains the change in Spain since 1953 (S). 4.35 Story Time. 5.00 PM: News magazine. 5.55 Weather: programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America. 9.30 Today in Synod. 9.35 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Week Ending (S). 10.55 Fritz on Friday. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 11.00 Lobby: A London MP talks about this week in politics. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 London Sports Desk. 6.35 Good Fishing. 7.00 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Track Record. 10.00 Late Night London. 12.00-Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

5.00 am Morning Music. 6.00 AM: non-stop news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

194m and 95.8 VHF

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Your Mother Wouldn't Like It with Nicky Horne (S). 11.00 Mike Allen's Late Show (S). 2.00 am Ian Davidson's London Link International (S).

FINANCIAL TIMES SURVEY

Friday November 10 1978

Fund Management

Institutional funds have come to dominate the investment scene to the extent that their influence on our society as a whole is under investigation by such bodies as the Wilson Committee. But there is no gainsaying the fact that their growing presence is the direct outcome of the steady shift of savings into life assurance, pensions and similar media.

Public scrutiny grows

By Eamonn Fingleton

THE ROLE of the fund manager has never been so much in the public eye. His ever-increasing power has attracted critical attention not only from the savings industry's natural enemies—advocates of large-scale nationalisation—but from such upholders of the savings ethic as the Stock Exchange. Coincidentally, fund managers have been increasingly exercising their power openly in, for instance, standing up to managements of companies in which they have major investments.

Much of the criticism of fund managers has centred on their market influence. In the institutions' traditional stomping grounds — gilts, equities and property — their influence is already overwhelming yet continues to increase. Now the institutions are making their presence felt—sometimes controversially—in such peripheral investment areas as farmland. The latest area where institutional investment has attracted attention is the market for works of art—where institutions have few obvious advantages.

According to Stock Exchange estimates, savings institutions last year for the first time held more than half of all London-quoted equities. Their holdings, 52 per cent of the total, represented an increase of 3 per cent on 1976, and were double the figure 15 years ago. The growth in institutional holdings has been almost exactly balanced by the decline in personal investors' holdings which, between 1976 and 1977, slumped from 36 per cent to a lowest ever 32 per cent. The figure 15 years ago was 55 per cent.

In terms of their day-to-day influence on markets the institutions' dominance is even greater—the latest figures suggest that about 60 per cent of all stock market transactions by value are conducted by institutions.

The increase in the institutions' share of the savings market in the last few decades has been fuelled largely by private investors' awareness of tax. A saver who channels his money through an endowment policy or a pension arrangement enjoys considerable advantages compared with investing in the market direct—tax relief at half the basic rate of tax is available on most endowment policy premius and pension payments in many cases qualify for full tax relief at the saver's top rate.

Explosive

The pensions industry, the most rapidly growing sector of the savings industry, has enjoyed explosive expansion in the last year, mainly as a result of legislation requiring companies which contract out of the elaborate new State pensions arrangements to raise the level of benefits. But self-employed pensions, which are outside the scope of the new State arrangements, have also enjoyed rapid growth recently, a reflection of the greater awareness that a pension plan is by far the most tax-efficient method of saving for anyone not in line for a company pension scheme.

Significantly, the one area of institutional investment which in most cases has negligible tax advantages — unit trusts — has been growing less vigorously than the average. Much of the recent activity in the unit trust industry has in any case been in unit-linked policies harnessing the tax relief of life insurance for regular savings plans investing in unit trusts.

The growth of institutional power has created many dangers for the institutions themselves, for the savings markets and for the economy generally. The biggest worry is that the insurance companies are now so large that they are sitting ducks for nationalisation either through direct takeover by the State or—more likely—through insidious State participation in their investment policies. The nationalisation fear has abated somewhat recently. This has probably been partly because of the industry's public relations efforts behind the scenes, which have left the Labour Party in no doubt as to how fiercely nationalisation would be resisted.

The institutions would find it harder to beat off attempts by politicians to have a say in how their funds are invested. Such "direction of investment" could begin on a small scale, with the institutions being asked to fill in awkward gaps in the Government gilts sales programme or to help fund the creation of jobs in depressed areas.

But once they conceded the point that the State has a right to participate in their investment decisions, the institutions would find it hard to know where to draw the line—and when they did say no, they would have a major communication problem trying to explain the complex issues involved to a largely indifferent public. Hence the fear among the institutions that if they give any ground on the issue of direction of investment they could easily end up being asked to pump savers' money into lame-duck industries whose sole case for favourable treatment is that the jobs at risk are in a marginal constituency.

The pension funds face an extra danger in Labour Party proposals to give trade unions half the seats on the Board of trustees. The pensions industry is not against giving a company's employees a say in how their pension money is invested: the objection is to giving the unions the right to nominate worker representatives. Not only are trade unions often not run in a truly democratic way: in many cases they represent only a minority of the workers in the company concerned.

Within the City the major worry about the institutions' strength is the way that they destabilise investment markets—particularly the stock market. The theory is that when the institutions stampede they all stampede together and in the same direction. Fund managers read the same brokers' circulars, the same economic commentaries, go to the same briefings with company managements and meet each other regularly in the City over lunch or a drink. It is inevitable, therefore, that they should react to economic and financial news in much the same way.

The pressure on fund managers to march in step with their fellows is reinforced by the attitudes of the investment committees which supervise their decisions. There are few penalties for a fund manager whose investments fall in line with those of his competitors but woe betide him if he goes liquid just ahead of a market rise.

Fund managers are under pressure too to stick with shares of major companies; as a result smaller companies' shares are often neglected. Small companies are consequently often accorded low share ratings which can be a brake on their expansion prospects and ultimately on the economy generally.

In the days when the individual investor dominated the market there was always plenty of money being staked against the general tide of City opinion. Some of it came from enlightened speculators who were answerable only to themselves and could afford to take a worthwhile risk: and some came from less informed investors who for better or worse were dealing against the trend for reasons often unrelated to any assessment of the outlook for the market.

The Stock Exchange in its evidence to the Wilson Committee on the functioning of City institutions pointed out that the most effective way to dilute the power of the institutions would be to encourage the individual investor to come back into the market in his own right. Direct investment of this kind would create a two-way market through which companies could raise new money on better terms.

The Stock Exchange added: "An increase in direct investment can only be achieved by a combination of reducing the rate of inflation and adopting a policy of fiscal neutrality towards all savings, or at least removing the tax disadvantages of direct investment."

Influence

Whereas the institutions have come under fire from many quarters for their market dominance, the growing number of occasions recently when they have used their power to influence individual company managements' decisions have usually been greeted favourably in the City. In some recent episodes where the institutions have flexed their muscles, they have chosen to fight on technicalities. In the controversy that surrounded Allied Breweries' bid for J. Lyons, for instance, the institutions were shy about opposing publicly what many of them considered an ill-conceived bid but chose instead to fight for the principle that such a major diversification should be voted on by an extraordinary general meeting of shareholders.

But even this circumspect form of opposition is a major change from a few years ago when institutions almost invariably voted with their feet by quietly selling their shares as soon as they got wind of trouble.

Waiting for Wilson

FUND MANAGERS at the moment would give almost as much to know the thoughts and plans of Sir Harold Wilson, the former Prime Minister, as the Chancellor's plans for interest rates. For Sir Harold heads what could be the most significant investigation into the operations of the City ever undertaken.

His Committee To Review the Functioning of Financial Institutions held its first meeting in January last year. It is still sifting through mountains of evidence from the multitude of pressure groups, associations and individual institutions which dominate London's financial markets.

The task is enormous. The terms are vague and all-embracing: the evidence is coloured by partisanship and drowned in technicalities. A final report will be a long time in drafting. Not only is the scope of the review itself a guarantee of a report of great dimensions and complexity, but Sir Harold clearly sees the task as a watershed in his transition from politician to statesman.

Certain key areas for investigation have already emerged, however, together with tenuous pointers to Sir Harold's own pre-occupations. The bulk of them concern the status and operation of the funds, particularly the pension funds.

In a key address on the subject Sir Harold said that "the pension funds are so powerful that they do not know how powerful they are. They could very well be transforming the nature of society more than any Government would ever dare to do."

Come September, however, Sir Harold was still keeping his options entirely open as to what decisions he had reached about the impact of that power. "Our researches have raised more questions than they have answers at this stage," he said.

Nevertheless those researches do seem to have narrowed down to a handful of important specific issues. Of these a particular trio stands out for the frequency of comments and submissions concerning them.

In the past few months attention has been concentrated on the accountability of the pension funds; on the method by which pensions are funded and on the way in which the funds invest their income.

Pension funds, exceptionally among organisations of their size and influence, are virtually free of the constraints imposed on companies to disclose financial information about themselves.

The funds have argued through their National Association (NAPF) that there is no need for new disclosure rules. The competition among them is so fierce, the NAPF claims, that internal financial disciplines apply which are at least as stringent as any which could be imposed from outside. This is enhanced by the balance and spread of the income which pours into the total movement. No single fund has more than 3 per cent of the total income of all combined.

Forum

Other submissions have not been so sanguine over this issue. The Stock Exchange, for instance, told the Wilson Committee that there was a need for a forum in which the performance of the funds could be publicly criticised. They should also develop an overt code of best business practice.

In fact the Stock Exchange's request boils down to the plea that it is no good being told that good business practices are applied. They must be seen to apply. It seeems likely that Sir Harold will follow this argument.

It is hard to resist the moral argument that pensioners should be able to rely on open criticism of their fund managers to sustain their efforts to keep up performance.

But that is not the only moral issue under discussion at present. Even more thorny is the problem of where the funds invest their income. The problem becomes vast because the income of the funds is vast. The Government Actuary, for instance, has estimated that the public sector funds alone are growing at a rate of £2.5bn a year. The total value of their funds at present is £13bn, of which £9bn is in the nationalised industry pension funds.

That weight of money has forced the fund managers to seek new areas for investing their income other than the traditional mix of fixed interest, equities and property. In recent years they have begun to buy farms and fine art, for instance.

A fine furore those two ideas have created. The penetration of the financial institutions into the rural land market has itself led to another Government investigation under Lord Northfield. Due to report by the end of the year, this review was sparked off by fears that the weight of institutional money might be distorting prices for farmland with a consequently important impact on the economy (and for politicians of today that boils down to the Retail Price Index and its behaviour).

So far there is no formal quizmaster overhanging the fine art purchases, but public fears are being fanned by hysterical claims that pensioners' money is being wasted on "modern art rubbish." British Rail's fund, for instance, which has some £12.7m invested in works of art, is regularly accused of squandering future pensions.

The involvement Sir Harold would have in such accusations would probably be minimal were it not that one specific topic he is required to consider is whether the City is doing its job in providing capital for new, small and emerging industries. In that context BR's £13m of art looks as if it could fuel a lot of bright new industries for the future.

To date it seems as if the funds have successfully countered the accusations that they are not offering industry free enough access to the capital it needs. They have been able to point to significant sums invested in new ideas through venture capital subsidiaries and consortia. (To be strictly objective, that activity does seem to have accelerated since Sir Harold began to raise the issue.)

Directed

But there is still one other moral issue which they have not yet been able to soothe away. Sir Harold is known to be looking very closely at the question of whether some of the vast inflow into the funds should be directed into what one might describe as "public good works."

This problem came to a head only recently with the so-called "gilts strike" by fund managers. Believing that interest rates were due to rise in the near future, almost to a man they held out of the gilts market and refused for several weeks to fund the public debt.

The quandary is how to reconcile the following two arguments: *(the funds)* "*it is our duty to our pensioners/unit holders/policyholders to get the most for our money. It would have been wrong for us to accept certain interest levels when we believed that if we held back we could get higher in the near future.*" (The Government) "It is the responsibility of a movement which is so influential by virtue of its size to have a public duty to the economy by ensuring a regular funding of Government debt."

By all accounts it looks as if it is the second argument which weighs more heavily on the committee.

The funds for their part are concerned that if, as in other countries, rules are made today which force them to invest a certain percentage of their funds in gilts, tomorrow that could be extended to compulsory investment in, say, the British steel industry. How would pensioners fare from such an investment?

Finally, the Wilson Committee is pre-occupied with another problem, of a much more technical nature, that of the way in which future pensions are guaranteed. At present pension schemes are "funded": that is, the future pension is provided out of the present contribution of the pensioner and his employer.

Designed to safeguard pensioners in private industry from having little or nothing to show if their firm dwindles or collapses, the theory has fuelled a large part of the massive inflows which have made the public sector funds the mammoths they are.

For those funds alone, one argument goes, such safeguarding is unnecessary. There is little risk of the main nationalised industries disappearing, so pensioners could be paid on an "as you go" basis out of the contributions of the younger generation of workers.

The problem with this alternative, while it would certainly reduce the growth of the funds, is that it might distort the economy even more. Both the Treasury and the Government Actuary have submitted that no change should be made.

They fear that if the Government no longer has to top up its contributions to the nationalised industries it would have considerably more money to play with, a situation which might fuel a public spending boom. There are a number of more technical disadvantages as well.

The solution to this quandary has yet to be found. At present there are no indications whether the better course will emerge as a reduction in the size of the funds (the effect of changing to "pay as you go" would mean annual income to the public sector funds dropping from £2.5bn to £350m) or the continuation of an enforced savings scheme by the Government.

Christine Moir

Overseas shares in fashion

THE INTEREST of UK investors in overseas stock markets has significantly increased this year. The pattern is clear from the investment statistics of the unit trust movement—the form of institutional investment which is most responsive to swings in fashion.

In the second quarter of 1978 unit trusts put a massive £74.7m into overseas ordinary shares. More than £100m was added in the first six months of the year—representing an increase of some 25 per cent in the movement end-1977 holdings—worth, at then market values, just over £400m. Significant sums have been invested in overseas shares by other institutions—some £30m in the second quarter by private sector pension funds, for example.

There have been two main elements to this boom in demand for foreign equities. First, tremendous portfolio performances have been achieved this year by many of the specialist Far Eastern trusts. Second, and more important in terms of volume of demand, investors perceived a buying opportunity in the U.S. in the spring when the Dow Jones Industrial Average fell below 800.

The year had begun with fund managers trying to assess the implications of the decision by the Government just before Christmas to abolish the much hated 25 per cent surrender rule relating to securities held through the investment currency pool. Previously, investment currency received on the sale of shares had partly been required to be converted back into sterling at the spot rate. This 25 per cent surrender often amounted to a 10 per cent tax on switching, depending on the market level of the premium.

Without this accompanying penalty the premium route to overseas investment became more attractive compared with the alternative method of back-to-back loans much favoured by institutional investors. But there were also countervailing forces. The drain from the investment currency pool caused by the surrender—something like £200m a year—ceased, and this promised to improve the supply/demand balance over time, compared with what otherwise would have happened.

Moreover, it has become easier for direct investors—such as companies buying factories—to get permission to bypass the investment currency market.

As the year has progressed a more potent bearish influence has developed on the level of the premium. The negotiations preparing the ground for the European Monetary System have led to speculation that further moves to dismantle the UK's complex exchange control might be a real possibility in the months and years ahead. Complete abolition of investment currency overnight is improbable. But it is being suggested that the Government, with an eye to keeping its European partners happy, might take steps to expand the investment currency pool, or might allow scope for partial use of the spot market. As a matter of policy the authorities may wish to see the premium lower rather than higher.

In these circumstances—exacerbated by the increasing volatility of the investment currency market, which is more and more dominated by lumpy

CONTINUED ON NEXT PAGE

Strong in property

OF COURSE it can't happen again. As every schoolboy knows the 1973 property crash was brought about by silly politicians, insanely optimistic bankers, developers who got their back-of-envelope sums wrong, and the wicked oil sheikhs who pulled the plug on the economies of the West.

How could we possibly have another property crash? Are not all politicians quite clear that commercial property investment stands at the foundations of our financial system, and that to tamper with the free market is not only dangerous, but possibly financial sacrilege? Are not all the free-lending bankers retired, or serving behind the counters of their bank's remotest branch office? And are not the developers bankrupt and the sheikhs our friends and creditors?

The cast has clearly changed; so has the set. There are so few parallels between the property market now and the market in the run-up to the last property boom and crash that it hardly seems reasonable to start worrying.

Take *property yields, for example*. Some foolish fund managers did convince themselves back in the bad old days of 1973 that prime office properties could happily be bought at prices reflecting an initial yield of 3 to 4 per cent, although most bought in the 5 to 5½ per cent range. Some prime shops were even snapped up on initial yields of under 4½ per cent, and good industrial investments changed hands for yields of around 7 to 7½ per cent. How could such gross optimism ever warp the market again?

The fact that fund managers now scramble for prime office properties showing initial returns of around 5 per cent, chase prime shop rents down to 4.25 per cent or lower, and pressure their estate agents for news of good industrial space on the market to show an initial yield of 6.5 per cent surely cannot be described as over-optimistic.

It must reflect confidence in the strength of commercial property as an investment medium. Since comparisons with equivalent investments in long dated gilt-edged stock implies property buying with a rental expectation of around 10 per cent a year forever, who could accuse today's fund managers of forgetting the lessons of the crash?

Too much money chasing too few properties? Well, of course not. Long before that time every building worth the description of "commercial" will be within the portfolio of one fund or another, and so how could we possibly have a crash? What we will have is financial musical chairs, with as many, ever more expensive chairs as players all the time.

In any case, there are always developments to soak up the money. Not the nasty, loss-making developments of the early 1970s, but the institutionally sensible developments of the 1980s.

Shelved

Sometimes, when the light is a little dim and the viewer a little too sharp, the good institutional development of the 1980s looks suspiciously like one of the "nasties" of the early 1970s. But don't be misled. They may look the same, for many are shelved "nasties" dusted off and reintroduced as good schemes. They may be in the same place, the site having converted from nasty to good by being left to stand fallow until the sins of its would-be developer were shriven by the liquidator. And the financing may look very similar. But it is in the financing that the good stands out from the old nasty schemes.

Gone are the secondary banks leading developers astray with high cost, high risk, easily borrowed bank loans. In their place stand the institutions, lending safely and long.

This new style funding is not high cost to the developer. He gets little or none of the equity anyway, so cost hardly comes into it. High risk it clearly is not, the developer has no risk, and how can a fund manager responsible to pensioners, and more immediately to an investment committee, take on a risk. That speculative industrial estate under way on land costing twice its 1973 price is not funded by risk money, that is long-term investment finance. The fact that it may take 20 years to break even as an investment proves just how long-term it is.

But how about the easily borrowed part of that development equation? Here surely no one can read any parallels with the pre-crash days into the current situation? There are no queues of secondary bankers hammering on developers' doors. In any case, if the secondary banks were still in business, which they are not, they would have abandoned their queues long ago, having given up waiting for the queues of fund managers' agents to disperse.

One other obvious difference between 1973 and today's market should kill any remaining doubts that property might yet talk itself into another *unsustainable boom*.

When the scope for direct investment and development in Britain ran out in the early *1970s*, the developers jumped on to their planes and began to spread the word abroad. Brussels, Paris, Frankfurt, Sydney, Singapore, Toronto, Montreal and the U.S. all learnt what it meant to face a tough British property negotiator—the fearless men who taught the locals that off-centre bomb sites could, in a matter of minutes, change from unsaleable scrub land to internationally competed for prime sites. Bemused locals quickly cashed their cheques, having politely resisted the temptation to travel bankward in fits of laughter until they had bought and sold all the other bomb sites (sorry, prime sites) they could lay their hands on.

No such unprofessionalism stains the property market today. Fund managers now take themselves (and their wives) on extended "fact finding" trips of the U.S. to ensure that when they sign a cheque it is for the very best quality off-centre scrub land/prime site. Florida "land sharks" who try to sell retirement centres in swamp land to British institutions rarely get past the front door these days.

Why buy from the sharks? There are now teams of in-house experts able to pick just as good swamp land in the glorious sun-belt of the U.S. (fastest growing population in capital spending terms in the world, or was that Singapore?).

Politically, the climate has also changed radically from 1973. No longer is there a commercial rent freeze. Private property's involvement in that magical new phenomenon "urban renewal" may not rate a mention in the Queen's Speech. But it is clearly accepted. Why otherwise would the Community Land Act (CLA) be so liberally and so effectively managed? And both major political parties are as one in their appreciation of the need for a healthy private property industry, which is why the Labour Party hopes to keep the CLA and Development Land Tax and the Conservatives are committed to their repeal.

The popular image of the wicked property developer is fading, and plans for nationalisation of the construction industry apart few politicians have dared to upset the workings of the property market in recent years, or have found any political mileage in attacking it — private residential landlords excepted, of course. Yes, a truly free market has emerged from the crash—one which is controlled by less than 100 major pension funds and insurance companies all of which are under either long-term sentence of nationalisation or direction of funds. But then long-term is what the property market is all about—isn't it?

John Brennan
Property Correspondent

Latter-day lords of the manor

ORIGINALLY EXPECTED in the summer the Northfield Committee's report on the ownership of farmland is not due for a month or so. In its absence the arguments continue to be put forward about the impact on farm prices of the financial institutions.

There is a sector of the rural community which believes that the funds have distorted prices in the market, driving them up beyond the ability of working farmers to compete. At its worst this argument covers all sectors of the market, both vacant and let land and the newer type of transaction, sale and leaseback.

One *plank* in this argument rests on the quantity of land the institutions are buying each season. There is fairly well documented evidence that the funds have bought around 25 per cent of all rural land to come on the market in the last three years or so.

The equal and opposite argument runs that since only about 1 to 1½ per cent of the total stock of farms changes hands in any given year, the impact of the funds will continue to be negligible for many years to come.

That camp, which includes the Country Landowners' Association, firmly believes that over the period the funds have been active in the market the actual price achieved at sale has invariably been set by local farmers. Only last month Mr. Roger Paul, chairman of the CLA, said categorically "The problems affecting the structure of farming have nothing to do with financial institutions or foreigners buying land."

Lord Northfield appears to hold similar views. During his progress round the country holding open seminars with local farmers groups, he has persistently said that he has found little or no evidence of distortion caused by the power of the funds and their large pockets.

What he will finally conclude when his report is published is, of course, still a matter for conjecture, but most specialists predict that he will not opt for pinning the boom in farm prices on the funds.

And make no mistake, there has been a boom. Even the highly conservative statistics produced by the Ministry of Agriculture and Fisheries shows a 47.6 per cent increase in farm rents between October, 1976, and a year later, with indications that similar increases were recorded this year.

The Farmland Market (produced by Farmers Weekly and the Estates Gazette) for the three months to August this year gave a price of £1,263 per acre as an average. This was £285 (33 per cent) up on the previous year and followed a 23 per cent increase in the first half of the year.

Topped

These prices are only averages. In July Equity and Law Life made headlines when it spent £5½m buying two Lincolnshire farms—a price which represented around £1,550 an acre. At the time that level had been easily topped by several other sales of Grade Three land (ELL's purchase was Grade Two).

Further confirmation of the boom in values also comes from the yield picture. By the mid summer, Knight Frank and Rutley, the estate agents, was saying that yields had fallen to around 3 per cent for vacant possession land, compared with the 4 per cent they considered comfortable.

A few weeks ago Jones Lang Wootton's Property Index put an initial yield of only 2.23 per cent on the agricultural element of the portfolio.

No wonder fund managers were saying openly at the height of the buying season that yields were unacceptably low. There were rumours that many fund managers would pull out of the market at this level.

The specialist agricultural funds, in particular, had been buying farmland heavily throughout 1977 and it was thought that prices might have peaked and consequently their inflows would stabilise.

As it turned out that did not happen. The funds continued to buy strongly (albeit complaining at the same time about prices) as the values of their funds rocketed ahead.

The latest survey by Harris Graham and Partners (who provide computerised performance monitors for all the pooled pension funds) show the property unit trusts way ahead of their rivals for performance in the 12 months to September.

Even more to the point, of the 28 property funds in their table, the four specialist agricultural funds produced the most striking performance. On an annual basis, Abbotstone Agricultural Unit Trust was the top performer again (as it has been for the past three years) with a return of 37.3 per cent. Hill Samuel's (formerly the Mutual) agricultural fund was third with 33.8 per cent, the Kleinwort Farmland Fund was fifth.

The Property Bonds showed similar strong performances. Property Growth's Agricultural Fund, for instance, which had increased in size by 83 per cent in the year to March to a total of £16.5m had climbed to £17.7m by July.

The push behind the increase in values has, needless to say, been the powerful increases in farm rents at each review (and it is not insignificant that these occur every three years compared with a minimum five year interval for commercial property).

Property Growth monitors its rents in its annual reviews. In the year to April 1974, for instance, rents after reviews averaged £16.51 per acre: the comparable period this year showed levels of £26.57. Almost as an aside PG also noted that rent reviews in this latest period were of the order of 48 per cent and this level was expected to continue.

No wonder, therefore, that most Property Fund managers are still keen to increase their agricultural holdings. A handful of years ago those brave managers who were contemplating farmland at all, were promising not to put more than 5 per cent of their total investments in the rural economy.

Now that promise is honoured largely in the breach. Many funds have more assets tied up in farmland than in any other form of property except offices. The mighty Pension Fund Property Unit Trust, for instance, had invested 21.3 per cent of its total value of £183m in agricultural land by the end of July.

With that sort of investment in farmland the funds have also begun to be a little more adventurous in what they are buying. Conversations with fund managers in recent months, for instance, have revealed a greater willingness to consider lower graded land than hitherto and a wider geographical spread.

In part this arises out of fear that should all the funds concentrate on fenland farms, or even on the top end of Grade Three in the Eastern Counties, the weight of money they could pour in would fuel price rises even greater than we have yet seen.

Province

They are also rather more likely to consider alternatives to buying tenanted land, once thought their special province. In-hand farming has become relatively popular (though still a minor approach) while sale and leasebacks, farming partnerships and farming companies have provided other answers.

The returns are conspicuous for the funds. For the rural community, the status quo seems preserved. The introduction of financial institutions as landlords or overt freeholders employing tied managers represents no change from centuries of tradition in which the Church, the charities, universities, families and the Crown have performed the same function.

Christine Moir

Overseas

CONTINUED FROM PREVIOUS PAGE

institutional deals—the level of confidence in the premium has fallen in recent months. Starting the year at an effective rate of 29 per cent the premium was pushed up to over 50 per cent in the summer when Wall Street looked firm. Recently it has slipped back again to the 35 per cent region.

The level of UK investment interest in U.S. shares continues to be a major influence on the premium. According to Federal Reserve statistics, British buyers poured $807m into the U.S. stocks in the first half of the year, far higher than in the whole of any other year this decade.

Figures for one unit trust, Hill Samuel Dollar, illustrate the pattern. At the beginning of the year the value of the fund was £24m at market prices. Money poured in during March, April and May, and halfway through the year the fund reached £50m. Aided by the Wall Street rally the fund peaked at £58m in August but had fallen back to £49m by the end of last month.

Demand has clearly been affected by the uncertainties surrounding the dollar. Even so, buying interest remains strong given any encouraging development: the trust reports a £0.5m surge in purchases on the afternoon of the Carter package last week.

All this shows great faith by UK investors in the U.S. economy, for the performance of the dollar trusts has been dismal. Even the much vaunted second line U.S. stocks have fallen out of bed in recent weeks. The declines have been compounded by the weaknees of the dollar.

According to the Planned Savings unit trust league tables for the first ten months of the year Hill Samuel Dollar languishes at number 305 out of 358. Many specialist American funds have performed significantly worse. But there remains a strong conviction that despite the short-term problems U.S. stocks are cheap on any reasonably long view.

Right at the top of the league table, by way of contrast, come the Far Eastern specialists. Some of these have appreciated by 60 or 70 per cent in ten months, the gains on the Tokyo market being, in this case, increased by the currency swings.

In theory stock market prices should move in the opposite direction to the currency because of the reverse impact on the level of company profits: when a currency appreciates, company profits are squeezed. But in present conditions of dirtily floating currencies this effect seems to be outweighed by the size of the currency flows. So we have a destabilised pattern in which stock markets in strong currency countries go on to a higher valuation basis, and in the weak currency countries, like the U.S., share valuations get cheaper and cheaper.

It is not so bad for UK fund managers, because since the turn of the year sterling has only appreciated slightly, if at all, against the dollar. But the Swiss fund managers have tended to give up in despair: whatever they achieve in terms of underlying portfolio performance in countries like the U.S. and the UK, it is virtually certain to be negated by the strength of the Swiss franc. While British money was gushing into Wall Street earlier this year the Swiss were actually net sellers of U.S. equities.

In these circumstances, however, the potential rewards for successfully catching a stock market and a currency on the turn are very high. So far, the British attempt to call the turn on Wall Street has proved to be mistimed, but at least it has not yet gone disastrously wrong.

Another market which fund managers have been dabbling in, hoping for a big turnround, has been Australia, where share prices have risen by about a fifth this year so far. Several Australian unit trusts have shown up well in the rankings for 1978. Certainly the Right-wing Australian Government is following austere economic policies of the type which non-resident investors tend to like to see prescribed for other people. But lately the Sydney market has paused in its advance.

In Europe the German market has performed solidly but it is the more speculative markets, notably in France and Italy, which have really powered ahead. The French market is a particularly interesting example of political transformation, with share prices first depressed by the prospect of a Socialist election victory, then boosted by the tax incentives devised by the returned Conservative government. But it has been very tricky for outsiders to judge.

The very latest fashion concerns the Republic of Ireland. British insurance companies are believed to have invested between £50m and £100m in Irish gilt-edged bonds in recent weeks, and a lot of UK money has gone into Irish equities too. The reasoning is that Ireland may go into the EMS even if Britain stays out, so that the Irish pound is likely to float upwards against the British pound, while there could be a premium windfall for UK holders of Irish securities. It is a story which only sounds really convincing when told by a little man with a twinkle in his eye, standing at the end of a rainbow.

Barry Riley

Life offices' huge cash flow

LIFE ASSURANCE remains a popular form of medium- to long-term saving, carrying as it does the inbuilt advantage for investors of tax relief on the premiums paid on regular savings plans. The industry now offers a wide variety of savings products to investors, each requiring a slightly differing investment policy and fund management.

The traditional savings scheme offered by life companies is the with-profit endowment assurance contract. But over the past decade or so the growth of linked life assurance—both single and regular savings—has widened the investment horizons for all levels of savers; small, medium and large.

Total life funds, including industrial life assurance business (depicted in chart one) have risen from £20.1bn in 1973 to £30.7bn in 1977. The cash flow of the industry last year was a staggering £4.1bn and all indications are that this level will be greatly exceeded in 1978.

The overall spread of life company assets at the end of 1977 is shown in chart two, together with changes from the previous year. It has to be remembered, however, that this is an aggregate picture. The proportions of the various holdings held by individual life companies is likely in most cases to be widely different from this aggregate pattern.

The most significant feature is the six point rise in the percentage held in gilts and local authority securities. The life companies have been heavy investors in gilts since 1975 and the proportion of gilt holdings has risen from 16.9 per cent at the end of 1975 to 24.4 per cent at the end of 1977. Those life companies which have reported at the half-yearly stage this year all confirm a continuation of the trend in massive gilt investment.

The first feature has been the very high returns available on long-dated gilts, both in absolute terms and relative to the return on equities. The reverse yield gap, that is the difference between the yield on Consols 2½ per cent and the average dividend yield on equities, has remained around seven or eight percentage points. Investment managers in general have considered equities expensive compared with gilts.

Secondly, traditional life business provides high levels of investment guarantees. These have to be matched with the appropriate assets—and gilts are the most suitable. The actuary, in his valuation of life company assets and liabilities, has to comment on the matching position. The valuation regulations made under the Insurance Companies Act 1974 now places considerable weight on the running yield of the life fund portfolio, thus placing more emphasis on the higher yielding gilts. The last few reports of the chairman of Legal and General Assurance, the UK's second largest life company, refer in detail to this feature.

But this heavy investment in gilts has in general not been made at the expense of disinvestment in equities and property. The life companies vary the asset proportions by concentrating the investment of new money into particular sectors. Many life companies had built up a high proportion of equities and property in their portfolios. Now they have taken the opporunity to run these proportions down.

Equity investment by the traditional life companies has in the past few years been confined mainly to taking up rights issues on existing holdings. There has been comparatively little net new buying. Now that the flow of rights issues has dropped to a trickle, it will be interesting to see just how much has been invested this year. Some life companies have invested substantial sums early in the year in the U.S. equity market. At the time it looked a good investment. Now, with the benefit of hindsight, one may query this move, but life investment managers have to take a long-term view.

The investment position of the linked life companies is somewhat different. Here the investor does not have the underlying investment guarantees. He is buying into a particular investment media; or mix of media, where the value of his investments is directly related to current market values. The investment manager has much more freedom in his investment strategy. He does not have to match investment guarantees, so he can invest to maximise the return on the various funds on offer—equities, property, fixed-interest or a managed fund.

Investors have been showing much more interest in property this year and sales of property bonds have soared again. The value of property has held up remarkably well, while equity and fixed-interest values have fallen recently. Other investors have preferred the managed fund concept, where the life company does the mix of investment media. Traditional life funds offer a mix, but in linked managed funds much more emphasis is placed on equities and property.

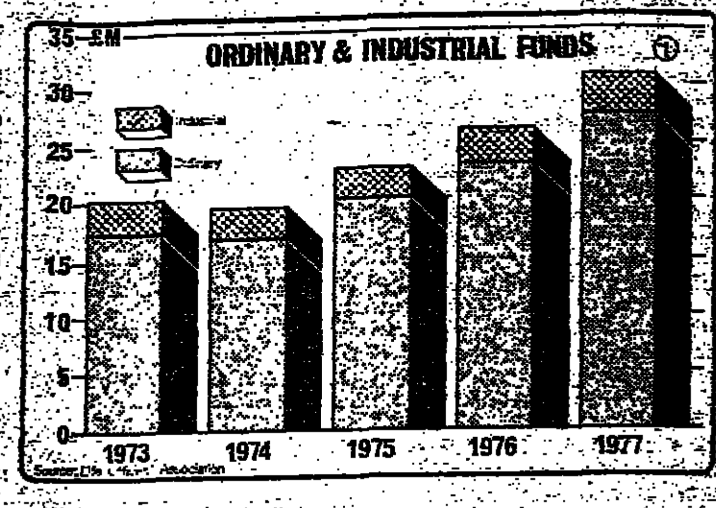
Linked investment was once regarded as belonging to the high risk, high return category. But while this may have been true of equity-linked, the property and managed funds have shown remarkable stability, while providing returns higher than on traditional business. The traditional life companies have now accepted the linked concept and many have recently entered this sector in a big way with considerable success.

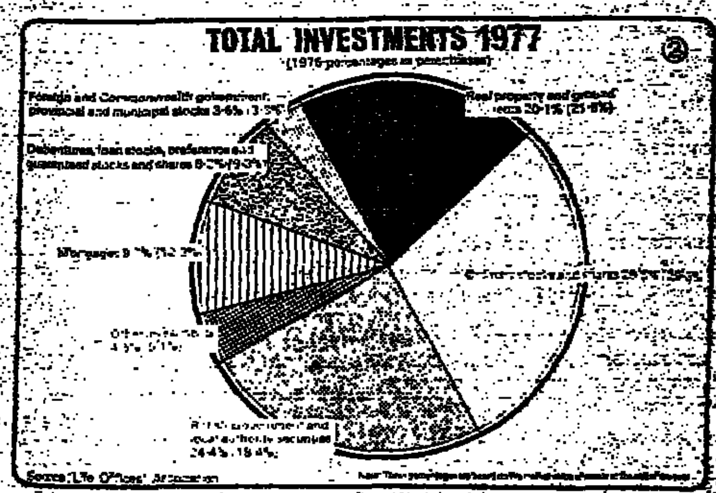
Life company investments are subject to certain controls by the authorities. There are limits on the proportions of the fund held in any particular asset if set against liabilities. The range of assets that can be linked to life contracts is clearly specified. But more controls are threatened, in particular with the direction of investment.

But the authorities have recently been concerned with the action of life companies holding off investment in gilts in anticipation of higher yields later. Their view is that such a "gilt strike" will make interest rate rises inevitable, with serious consequences to the national interest. The view of the investment managers, as expressed by Mr. Peter Moody, joint investment manager of the Prudential, is that the authorities should regard such action as an early warning system.

The investment managers, who all act independently, have reached the same collective view that Government's economic actions are inadequate and stronger measures will be needed. The Government should take heed. Much more is going to be heard on this conflict of national and policyholder interests.

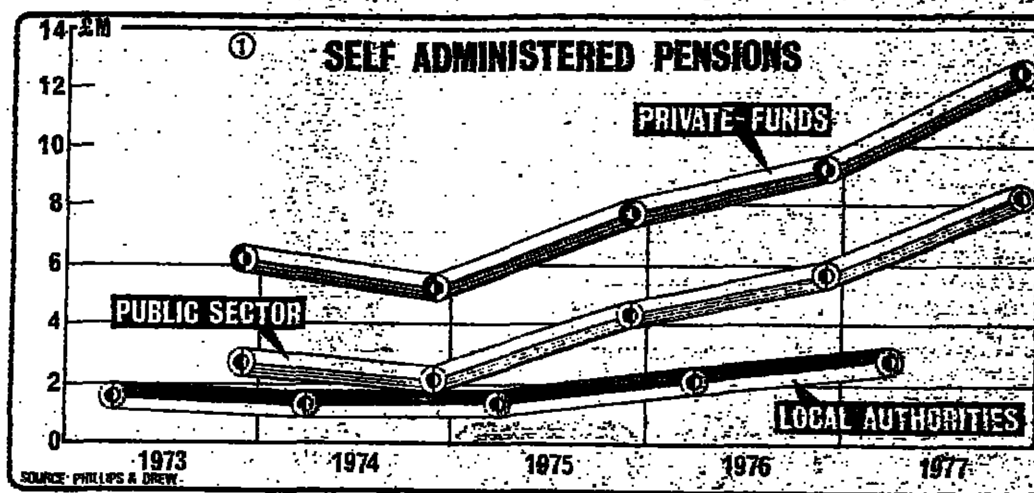
Eric Short





Pensions a pacemaker

OUR FOREFATHERS had to save towards their own pension if they wished to be financially secure in their old age. Now the saving is done for us, either through the State scheme, or by the company pension scheme. Pension funds, along with life assurance, form the most important sources of investment in the UK. The current size of pension schemes can be judged from Chart 1, which shows aggregate funds of over £20bn and an annual cash flow exceeding £2bn.



Under the Social Security Pensions Act 1975, which established the new pensions format, company pensions must be based on a member's final salary or on his average salary revalued for earnings progression each year. Thus pensions are inflation-proofed during the member's working life. And there is a growing demand for pensions, when they become payable, to be revalued so that they maintain their real value.

Since the liabilities rise with inflation, then the assets should do the same. Most pension funds are still growing, with the average term of the liabilities very many years in the future. A member can be contributing for at least 40 years and drawing his pension for another 15 years. Thus, to get the length of assets and rising values, much of the investment emphasis will be placed on equities and property.

The current pattern of investment of company pension schemes, as distinct from the public sector and local authority schemes, is shown in Chart 2. The high level of equity investment is to be expected, but property holdings are rather low and gilt holdings high.

Funds have been increasing their holdings in gilts and other fixed-interest stocks in recent years, simply because of the very high yields obtainable. While interest rates remain high and the yield differential between gilts and equities also stays high, a significant proportion of funds is likely to be invested in this sector despite the disadvantages of these stocks being fixed in income terms.

The current rapid growth in pension funds has led some commentators to express fears of a "money mountain," with too much money chasing too few investments: It is felt that soon there will not be enough equities available.

Such fears were, however, dismissed by Mr. Peter Moody, joint investment manager of the Prudential, in his presidential address to the Institute of Actuaries. He considered that if the market were allowed to operate freely then supply and demand would balance and no such volume of money would accumulate. The yields would adjust to ensure equilibrium. But if the authorities interferred with the market mechanisms with the aim of correcting the situation, then a "money mountain" could occur.

Pension funds, unlike life assurance, are not accountable to any central authority for their investment policy. This has led to severe criticism from several quarters. First came the accusation of a strike of capital in that equity funds were withheld from UK manufacturing industry, thus contributing to its poor performance. The Wilson Committee which was set up to examine this charge has exonerated the institutions. But some commentators are now talking about "force-feeding" capital into industry, presumably through direction of investment.

In this area the trade unions are talking about the establishment of a central fund, with institutions contributing £1bn a year. Much of this money would come from the life and pension funds. This week Mr. Ron Peet, chief executive of Legal and General Assurance, the largest pensions company in the UK, urged—as chairman of the British Insurance Association—the CBI Conference at Brighton to reject any suggestion of a conflict between the requirements of industry, financial institutions and the national interest. Nevertheless a lot more is going to be heard in the next few months on direction of investment.

One area of pension fund investment that has sinister undertones relates to investment of funds back into the parent company, either by direct loans,

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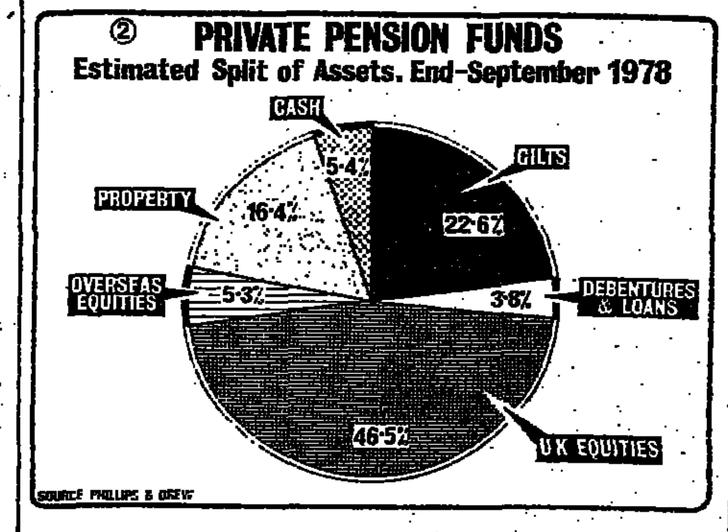


Links with companies

EARLIER THIS week Mr. Peter Dugdale, managing director of Guardian Royal Exchange, said that he hoped practical ways would be found of establishing strong relationships between the institutions and the companies in which they have interests.

The insurance companies, he said, were becoming more alive to their responsibilities not only to their policyholders but also to other shareholders. The difficulty would be in finding a balance between being "absentee shareholders" and "interfering busybodies."

In the past year this problem of balance has become a real talking point in the City following a rather dramatic increase in vociferousness by institutional shareholders.

The clamour began in February when the pension funds complained bitterly—and successfully—about the route by which the U.S. company Allegheny Ludlum was to have acquired control of Wilkinson Match.

In July, the same pressure group, through its National Association, thundered that Barclays Bank had chosen a method of raising capital which was "wrong in principle" when it bought the Investment Trust Corporation and sold it at a discount to the Post Office Pension Fund.

(Although, as it turned out, the funds then decided that Barclays had been punished enough by the "ticking off" and voted to pass the deal, the mood was obviously hardening.)

The following month the pension funds engaged full battle enraged by the way Allied Breweries intended to take over Joe Lyons without seeking prior shareholders' permission.

The battle raged for weeks until Allied hit upon the compromise of calling a shareholders' meeting "to discuss" the offer for Lyons.

In Allied's case the funds had been angered by the fact that Allied had only recently won shareholders' approval to increase its authorised share capital with the built in proviso (formally required by stock exchange rules) that it would not use this extra capital to alter the nature of the business without going back to shareholders again.

Shortly afterwards Allied made its bid for Lyons, a company with a turnover comparable to its own but in the field of cakes and ice cream, not beer and spirits. Merging with Lyons would alter the nature of Allied's business, said the funds. "No it wouldn't," said Allied.

In the Stock Exchange's eyes Allied was in the right. The definition of a change in a business relates to the amount of assets and profits which would derive from a completely different field of business. First of all it was arguable whether food was completely different from drink. But, more importantly, buying Lyons would not in any case divert more than 25 per cent of Allied's enlarged assets or profits (for a start Lyons' profits were fairly negligible).

Settled

Now that the dust of the Allied battle has settled the real significance is beginning to emerge.

In the first place it made obvious what power the fund managers control if they choose to flex their voting muscle. It also showed that they were willing to do so, not just to force a company to step back within the City's formal rules, but also in the cause of getting those rules altered to their own liking.

Within a matter of weeks after the Allied tussle, two other major companies went into a huddle with the funds and thrashed out a new wording for the proviso which accompanied their own request for new capital.

Even more significantly, the newly formed Council for the Securities Industry has only announced in the past month that it is reviewing the Stock Exchange rules over when shareholders should be consulted in case the funds' demands need incorporating in the existing regulations.

Since August the pension fund managers have been quiet but that does not mean that silence fell completely among the institutions.

In late September the concerted efforts of four investment managers representing Clerical Medical and General, Equity and Law, Atlas Electric and General Trust and the British Petroleum Pension Trust, prevented S. Pearson and Son from taking over the rest of Pearson Longman which it did not already own.

In this case the fund managers were not making their stand on a matter of principle as in the Barclay or Allegheny cases. They were not even contesting an established Stock Exchange definition as with Allied. Their complaint was simple: Pearson's offer was not generous enough to entice them to accept it. And the offer failed.

All this activity gave rise to considerable discussion about the pros and cons of institutions taking an active role in the companies in which they had shares. In previous years institutions had been castigated for standing back and not raising their voices when companies were obviously sliding into catastrophe—the "absentee shareholder" argument.

Now that the institutions appeared to be adopting a more keen concern for the future of the investments, the complaint changed. They were "interferring busybodies." Merchant banks and executive directors asked how they could be expected to make fast decisions and run their companies if shareholders were always breathing down their necks ready to call emergency meetings.

The political climate of today is making a solution even more imperative. As the Government (and a variety of QUANGOS) espouses the rights of other groups such as employees, customers, and the public, the shareholders must put forward their own case as owners of companies or lose their position by default.

One practical way in which shareholders might reinforce their position is through the non-executive director, a functionary whose role has been much overlooked in many companies.

Although the institutions are acutely aware that they must not inhibit executive directors from running companies with the maximum flexiblity, it is increasingly being felt that laying down a clear role for the non-executive board member is esential.

A quiet working party composed of insurance, unit trust, investment trust, accepting house and pension fund managers is just beginning to look into the matter.

What has clearly emerged over the past year is that, willy nilly, the institutions must now be more active as shareholders, both as champions of those without such a public voice, and because of the increasing number of companies into which they are being locked by virtue of their large investments.

If the institutions hold 70 to 80 per cent of all British public companies by the turn of the century, as has been forecast, they will not be able to vote with their feet when the executive does something not to the fund's liking. And if they are locked in they will have to hammer out a proper relationship between themselves as shareholders and the officers of the company.

C.M.

Investment trusts speak out

Investment trusts have had a mixed but unusually exciting time over the past year.

On the plus side successful takeover bids have periodically spurred share prices and narrowed discounts; changes in the April Budget improved trusts' tax position; abolition last December of the 25 per cent surrender rule, given the investment trust movement's heavy overseas exposure, has further increased its attractions.

On the other hand discounts are still historically high, Barclays' bid for the Investment Trust Corporation in the summer involved some perhaps unwelcome publicity, and the important British and American stock markets have performed distinctly poorly in the past few weeks.

Investment trusts, in another important development this year, have well and truly come into the open to put their case. The publication in June, for example, of the Investment Trust Year Book was widely acclaimed as a major step forward, while the performance tables in the final section were particularly timely.

After all, the industry still looks after as much as £6,000m worth of funds, compared with roughly £4,000m in the hands of unit trust managers.

Despite what has arguably been a somewhat lacklustre image since the early part of the decade, investment trusts are obviously much too important to be ignored, and still have plenty to offer.

Admittedly the movement's numbers have declined significantly in the past six years. In 1972 there were well over 300 investment trusts, against 192 conventional and 23 split capital trusts today. (Split capital trusts offer investors both income and capital shares.)

Mergers

Since the autumn of 1976 alone, 45 trusts have disappeared, partly because of takeovers and mergers (which accounted for 25), on two occasions by unitisation of the assets (for example by becoming a unit trust and thus removing the discount), and from time to time through liquidation. Takeover demand has come primarily from the cash heavy pension funds of the nationalised industries, which are eager to find an easy way into the equity market without pushing prices up against themselves.

Late last year and early this year, for example, the successful takeovers of Edinburgh and Dundee Investment Trust and British Investment Trust by the British Rail pension funds and the Coal Board pension funds respectively attracted considerable attention. The suitors in each case certainly valued their investment trust brides above the market price for the shares.

The deals, however, were both contested on the grounds of the bidders using a wrong definition of asset value in formulating their offers. Shareholders nevertheless accepted the terms.

In June this year Barclays Bank, in a skilful but controversial cash raising deal, bought Investment Trust Corporation, immediately passing it on to the Post Office Pension Fund. Some Barclays shareholders at the time were unhappy that they did not have the opportunity to participate in what effectively was a substitute rights issue and the deal left a slightly bad taste in some mouths.

Meanwhile, the whole investment trust takeover scene this year raises some important points.

First, the net result has been some diminution of the movement's assets and yet investment trust analysts seem confident that further takeovers will follow.

The past few months have admittedly been quiet but bid rumours persist even if the possible protagonists change. Scottish Eastern, for example, was one trust recently standing at a discount of well under 20 per cent, against an average of roughly 24 per cent.

Desirable

A somewhat smaller sector, therefore seems inevitable and probably desirable. Most observers feel there is still an excess of supply over demand and, despite other exceptional factors, this is clearly the main reason for high discounts.

Investment trusts, however, appear to have become more defiant of late. Managers feel, for instance, that future bids will be more expensive and it seems probable that cheap-looking terms will be more strongly resisted.

This trend will also be encouraged by the greater shortage of suitable partners with good blue chip portfolios. Meanwhile, despite the hungry predators at their door, investment trusts seem to have found some renewed hope for their own survival.

The abolition of the 25 per cent surrender rule on the dollar premium last December was undoubtedly an important boost, freeing many funds with a high overseas content of what was more than just an irritating liability. Secondly, this year's Budget introduced a new 10 per cent Capital Gains Tax rate (previously 17 per cent) for investment trusts.

Individual shareholders do receive a tax credit for this amount and pay the balance themselves. Trusts, however, feel it is unfair that small shareholders, who might not normally incur any liability for capital gains tax, should effectively pay through the trust. Although 10 per cent represents a compromise (the plea was for nil) some people in the investment trust movement feel it is the best solution possible.

Funds which are exempt for tax are often more carefully scrutinised by the Inland Revenue. Investment Trusts are meanwhile free from some of the restrictions which apply to unit trusts, such as limits on the size of individual holdings in a fund. The investment trust movement would not wish to lose its privileges as a result of closer inspection.

Despite this year's developments however there is no escaping the current high discounts. At end 1977 the Financial Times Actuaries Investment Trust index average discount was 21 per cent (thanks to two big takeovers) but this month is hovering near 30 per cent. This compares with a 1972 low (for all trusts) of roughly 7 per cent and an autumn 1967 high of around 43 per cent.

The question must still therefore be asked whether investment trusts in their traditional form can survive. The answer is by no means certain but 1979 may yet go down as an important watershed in the movement's history.

As Mr. Tony Arnaud, chairman of the Investment Trust Association taxation committee, points out: "It took some time for the market to understand the changes in the mid-1960s affecting our tax position. I think it may take a few months before the significance of this year's developments are fully appreciated."

Tim Dickson

Abundant expertise on tap

ANYONE WHO wakes up to find himself suddenly in charge of a pension fund is unlikely to be short of advice. He will be in the position of the man who wins the Pools and has forgotten to put a cross in the "no-publicity" box: a bewildering number of financial institutions will be falling over themselves to offer him a trouble-free, high-return existence.

If your fund is very small—up to £1m or so—it is probably not cost-efficient to run it as a managed portfolio, given the strict income demands that pension funds, by their very nature, require. At the other extreme, if it is enormous, it may pay you to hire your own investment managers to look after at least part of it. As costs stand at the moment it is probably not worth doing this unless you have something of the order of £50m to play with. Between the small fund, which would be placed with an insurance company for a guaranteed return, and the jumbo fund, which can afford to be self-administered, there is an extremely large volume of business for the institutions to play for.

The merchant banks have traditionally acted as investment advisers for pension funds. The biggest of them in this field — Hill Samuel, Schroder Wagg and Robert Fleming — typically have around £1½bn or more of funds under management of which £1bn might be pension funds. With the addition of advisory services to clients like local authorities, who might not give the bank entirely discretionary powers of management, the figures would be even higher. The clearing banks offer similar services through their trustee departments.

The great virtue of the merchant banks' fund management is its flexibility—though that does not mean portfolios are switched around hectically; quite the contrary, for the funds are on the whole looking for long-term strategic investments. Management of liquidity is a particularly expert task when necessary, although the funds tend to be quite fully invested.

The mix of the funds varies quite considerably; the very heavy issues of gilt-edged stock over the past few years have tended to swing the portfolios of many funds rather more into gilts — say a proportion of 20 per cent or so—than has been usual for pension funds since the war. Some banks are unhappy about this and put their pension portfolios overwhelmingly into equities with a good slice in property.

It is difficult for any but the largest funds to acquire a reasonably spread property portfolio on their own, so the managing banks typically run their own property funds, on the lines of unit trusts, and invest their pension fund clients in these. Hill Samuel has set up a fund to invest in a very wide spread of medium-sized companies, through which its institutional clients can take an indirect stake in companies which would otherwise, from the point of view of share marketability, be unsuitable.

The merchant banks are also in a good position to advise funds on their differing tax requirements. They maintain that their overseas business may give them an edge over their competitors in placing funds abroad, a sector which may account for up to a fifth of some portfolios.

Expensive

All this can be rather expensive. For a fund worth say, £30m, Hill Samuel charges a little over £20,000 a year and Schroders, by no means the most expensive, £35,000. On top of this the client pays the dealing fees—that is, the brokers' commissions—and in some cases fees for services such as safe custody for bearer certificates. Some banks' clients complain about "hidden fees."

The most common complaint concerns the banks' practice of buying a very large line of stock for the account of a number of clients, and then charging each client what it would have paid the broker for buying each fraction alone. The sum of these fractional retail commissions is a good deal more than the wholesale commission actually paid by the bank to the broker.

The banks charge on a sliding scale so that the larger the fund is, the smaller the proportion of its book value that is charged. Against the examples above, Hill Samuel charges £11,000 on a £10m fund and Schroders £20,000. If anything, the trend is for these charges to rise as overheads increase. But old and valued clients may well be able to negotiate lower rates, particularly on the higher marginal slices of their portfolios.

One source of competition for the banks comes from the stockbrokers themselves. This creates a curious position with the stockbrokers at the same time competing with each other to handle the banks' business on the Stock Exchange and competing with the banks for the management of funds. The brokers see their pension fund management as a natural extension of their discretionary management of private clients' money.

Naturally only a stockbroker with a substantial research department covering the entire market can launch into the management of these very large funds. Firms such as Phillips and Drew, de Zoete and Bevan, and Grieveson Grant are important forces in the market and there are signs that more brokers are looking for pension funds to manage.

One of the stockbroker's advantages is that he does not charge a management fee, but lives on the commissions generated as the fund trades. Brokers insist they do not "churn" their funds to produce extra income—indeed they are so anxious to avoid this charge that some of them may trade rather less than a merchant bank might.

Conflict

The broker's other institutional clients may claim there is another potential conflict of interest, in that a broker who is offered an attractive line of stock cheaply may take it on for his in-house managed fund instead of offering it to them. The broker's answer to this is that his broking and investment management departments are kept strictly separate.

The banks argue that they have access to a far greater spread of research information than a stockbroker, who basically has what his own research team produces. But the argument over fees still rankles; the more successful brokers say they believe their clients come to them not because they are cheaper than the banks but because their past performance record is good.

Further competition comes from the insurance companies, which have being trying to attract larger funds than the insured funds that have traditionally been placed with them. In terms of pension funds under management the largest four companies are the Prudential, Standard Life, Legal and General and Scottish Widows.

An insurance company would typically run a number of managed funds, investing in equities, fixed-interest stocks, property, or a mixture of these. The fund would choose its own spread between these funds and be invested accordingly. The fees tend to be heavily front-loaded that is, there is a heavy initial commitment fee, and then relatively low running charges. Legal and General, for example, charges an initial fee of 1 per cent on the first £1m of the fund, ½ per cent on the next £1m and ¼ per cent on the next £3m. There is no charge above £5m.

Running costs range from 1/48 per cent per month for the equity fund to 1/96 per cent monthly for the fixed-interest fund—reflecting the lower stock exchange commissions charged on gilt-edged trading compared with equities. The running charges cover all brokers' fees, and switching blocks of a fund between the various managed funds is free.

Relative newcomers to pension fund management are investment houses which have made their reputation in running unit trusts. M and G, for instance, now manages eight funds worth over £50m and growing. It charges ¼ per cent above £20 and as much as ½ per cent for a small fund, plus brokerage charges. It is able to put funds into its own unit trusts for overaseas investment and considers that its expertise in running a variety of trusts gives it knowledge of a wider spread of companies than a merchant bank might have.

So far the volume of pension funds has been growing fast enough to give newcomers to fund management every chance of getting a slice of the market, although the competition to preserve and increase market share among the established investment managers is intense. As funds grow their trustees tend to split them up among a number of managers—a bank, a stockbroker and an insurance company, say—to spread the risk. This may keep the managers on their toes as the trustees can compare performances directly, but it does foster the diversity of investment managers. No one with a fund to invest can be unhappy about that.

Martin Taylor

Unit trusts and costs

TO JUDGE by the flood of unit trusts launched this year, the industry has rarely been in such good heart. But beneath the cheerful exterior the marketing men like to present, leaders of the industry are deeply concerned about the outlook after this year's considerable sales boom peters out—as they know it inevitably will.

The industry's problem is that though launching a new trust is usually profitable, the day-to-day expenses of running it afterwards now outstrip the small annual fees the managers are allowed to charge. It believes that if its long-term future is to be made secure, the annual management fees the Department of Trade allows it need to be drastically increased.

The Unit Trust Association has been campaigning for years to win official backing for its case and towards the end of this month it will hear whether its prayers have been answered. This is when the Price Commission, the latest branch of officialdom to scrutinise the industry's case, is due to give its verdict.

The confident image the industry projects in its advertising may succeed in impressing would-be investors but it has undoubtedly been a stumbling block for the Unit Trust Association in getting an increase in charges.

The measure of the industry's buoyancy recently is that at the last count 21 trusts had been launched this year—the biggest crop since before the 1974 slump. The launches have fed on exceptionally strong stock markets around the world. In Britain the Index has wobbled around the 500 level long enough—since the summer of last year—to wipe out some of the public's most painful memories of free-falling shares four years ago. Even so it is probably significant that the high-income concept, with its promise of greater safety in bear markets, has figured prominently among the UK-orientated trusts launched recently.

The Far East has been the most exciting of the overseas investment areas—boasting four new funds this year from Save and Prosper, Midland Drayton, Chieftain and Crescent. So far, backers of the Far East idea have done well and Far East trusts account for nine out of 10 top performers in Planned Savings' league table for this year. Four of the new trusts are specialising in American shares, which got off to a false start in the spring and early summer.

Sales of established unit trusts have also been good this year, again probably reflecting mainly greater confidence in equities. Total unit sales for the first nine months of this year were a record £422m against £265m for the corresponding period last year. The success, however, has been somewhat marred by a record £224m of units cashed by investors during the year, compared to £128m a year ago.

The new launches have not been all they seem either, for only one of them, the £10m Murray Johnstone European fund, has reached a size which the experts consider big enough to be profitable to manage in the long run. Seven of the newcomers are still struggling below the £1m mark.

For a £1m fund the usual annual management charge of ⅜ per cent represents just £3,750 total annual fee income, out of which the management company is expected to meet postage bills, printing costs for annual reports and other documents, general administration costs and also pay for investment expertise. In reality the only way managers of small trusts can survive is on the once-for-all 5 per cent charge they take from the investor's initial investment plus any profits they make from dealing in units.

Little

But for a £1m fund even the initial sales charge revenue totalling £50,000 leaves little over after insurance brokers and other intermediaries have had their rake-off and advertising bills have been paid.

According to Mr. Edgar Palamountain, chairman of the Unit Trust Association and leader of the campaign for higher charge levels, it now costs on average about £5 a year to service each £1,000 of unit holders' money. The managers actually get £3.75 per £1,000.

Mr. Palamountain warns that present charges are a strong incentive to managers to concentrate on bringing in new money and spend as little time and effort as they can get away with on managing it.

Partly the problem is inflation; the increase in managers' expenses has reflected inflation all too fully but their income has not kept pace. Unit Trusts have in fact been victims of the way that the long-term trend in share prices has lagged behind inflation in the last two decades. According to Mr. Cholmeley Messer of Save and Prosper, the Index would need to be about 1250 to have kept pace with inflation since unit trust managers' fee levels were set.

The industry's cost problems have been exacerbated by the higher commissions it is now having to pay intermediaries. Most of the latter now get 3½ per cent compared to only 1¼ per cent a few years ago (the extra commission, representing what the industry labels, for cosmetic reasons, "marketing allowance," was introduced to meet hefty competition from promoters of single premium bonds).

The new commissions have not only badly dented the industry's net revenue from sales of units but have also added a new problem—an incentive to unscrupulous intermediaries to switch investors from one unit trust to another simply to generate commission. Mr. Palamountain caused a furore when he confirmed observers' suspicions that the recent pattern of high repurchases at a time when sales are high partly reflects an increase in questionable switching by brokers, but the thought was almost certainly not new to the Price Commission (which is also probably only too aware that in the short term what helps the industry's profit and loss accounts is not the net level of sales but the gross.

The industry's fight to end the tax discrimination it suffers in investing the public's money in gilts remains unresolved but Mr. Palamountain reckons that progress has been made with the Treasury in establishing the justice of the case. The problem is that gilts income channelled through a unit trust bears the usual corporation tax a company would pay—so the net return to the investor is about a third less than he would get from investing direct. The only unit trusts which escape the tax are based overseas—and are therefore precluded from advertising in Britain.

Eamonn Fingleton

Pensions

CONTINUED FROM PAGE IV

equity holdings, mortgage on property or sale and leaseback of fixed assets. At present there is no official limit to this type of investment, which needs much closer investigation.

On the one hand the security of a pension scheme requires that is should be financially independent of the parent company in respect of benefits secured to date. This means that investment back into the company should be severely restricted. Yet pension funds are great consumers of cash, especially in inflationary items. The cash flow position can be eased by dealings, on an arms' length basis, with the pension fund.

If the company is prosperous, why should the employees be debarred from sharing in that prosperity as members of the pension scheme. Indeed, the pension scheme is an ideal vehicle for employees to have a stake in their company.

If the company is in financial trouble, then the temptation to use pension fund money to bail it out is considerable. And the trustees are more likely to succumb if there are member representatives on the board. It is going to be very difficult for such people to remain aloof and watch themselves and their colleagues lose their jobs for the want of action on their part. Often it is likely to be a little help at the start that increases to vast proportions as the company gets into more trouble.

But recent revelations have shown how serious problems can be posed by investment back into the parent company. The Occupational Pensions Board has recommended that this should be limited to 10 per cent of the pension fund's assets. The Board has now set in motion channels for annual reports on the degree of such investment. There is an urgent need to give it statutory powers to act on the information it receives.

Eric Short

Cinema

Playing it safe

by NIGEL ANDREWS

London Film Festival: National Film Theatre.
Coma (AA) Ritz.
Black and White in Colour (A) Scene, Studio and Islington Screen.

The 22nd London Film Festival begins at the National Film Theatre next Wednesday.

It is one of life's regrettable ironies that the one year in which the London Film Festival is soliciting strong support from newspaper critics—since its budgetary cut-backs have forced it to be abstemious with publicity—should be the one year in which I think the programme has some yawning deficiencies. In his introduction to this year's booklet, festival director Ken Wlaschin asserts that the festival is "one of the strongest in years." He then goes on to tell us of the near-impossible odds against which it has been mounted. The budget is £31,000, which is minute by Cannes or Berlin standards (though larger than Edinburgh, which continually manages to make bricks without straw): there are no extra staff employed for the enormous extra work involved, overtime volunteers being plucked from the British Film Institute; and the frugal budget has meant no posters and virtually no outside advertising.

The securing of good films, however, is less affected than most parts of a festival by financial deprivation, and so one is entitled to judge the selection more or less on its merits. Country by country, it is much weaker than it should be.

Although Italy had a strong year at Cannes in 1978, for example, the Italian presence in London is poor: four films, two of which are directed by non-Italians and the other two (*Ecce Bombo*, *Circuito Chiuso*) are glorified commercial pot-boilers. There are no signs of either Ferreri's *Cia Maschio* (Special Jury Prize at Cannes) or Olmi's *L'Albero Degli Zoccoli* (Grand Prix at Cannes).

From the much-vaunted Australian cinema, the LFF has chosen a "safe" trio of period-pieces — ranging from Phil Noyce's skilful *Newsfront* to Donald Crombie's stolid and banal *The Irishman* — and left out the most innovative, exciting and modern Australian film of the year, Esben Storm's *In Search of Anna*.

In the selection from India, safety is again the rule, with four out of five films coming from the "veterans" Benegal and Sen. I find it impossible to understand how Benegal's overdressed pudding of a film *The Role* could have been preferred to, say, the YUKT Co-operative's imaginative and freewheeling *Ghashiram Kotwal*.

To round up one's grievances: two big-name directors this year have contributed conspicuously below-form films—Loseys *Les Routes du Sud* and Oshima's *Empire of Passion*; the "Action Film" section of the festival features two totally un-festival-worthy stinkers, Roger Donaldson's *Sleeping Dogs* and Larry Cohen's *The Private Files of J. Edgar Hoover*; and the British films, with honourable exceptions, are the usual mixture of dour Socialist propaganda (*In The Forest*) and dishevelled amateurism (*Long Shot*).

But don't tear up your booking form *quite* yet. I paid tribute to Wlaschin's catholicity of taste last year, and I shall not desert that cause this year. The problem

Geneviève Bujold in 'Coma'

is that catholicity needs the safety of numbers, and in having to cut down, however fractionally, the quantity of films, Wlaschin has mostly cut down in the wrong areas. Too many directors have got into the festival on past reputations alone, too few—especially from Europe and points East—on an unconsolidated but conspicuous promise.

Few is better than none, however, and those few give this year's festival most of the surviving distinction it has. Among the films I can personally vouch for are *The Girls*, by Sri Lanka's Sumitra Peries, Ronald Chase's *Lulu*, Wes Craven's *The Hills Have Eyes*, Borowczyk's *Behind Convent Walls*, Mark Rappaport's *The Scenic Route* and Peter Greenaway's superb 40-minute surreal'st film, made for the British Film Institute Production Board, *A Walk Through H*. All these are required viewing.

Among the films I haven't seen but whose high reputations precede them are *The Idlers of the Fertile Valley*, by Greek director Nikos Panayotopoulos, Bapu's *Sita's Wedding* from India, Wajda's *Man of Marble*, and two acclaimed American curios, Errol Morris's *Gates of Heaven* (about pet cemeteries in California) and David Lynch's *grand guignol* essay *Eraserhead*.

There is also Ingmar Bergman's new film *Autumn Sonata*: a strange, hothouse drama which tells the story of the embattled reunion between a lady concert pianist, Ingrid Bergman, and the plain daughter, Liv Ullman, whom she neglected during childhood and during the early years of the girl's marriage. A single viewing leaves one somewhat baffled as to whether the film is a multi-megaton soap opera or a psychological *pas de deux* with hidden depths. Either way, sparks fly in inimitable Bergman fashion, and even bewilderment is a pleasure when administered by the likes of Misses Bergman and Ullman.

*

Meanwhile, back in the West End.

Why are so many anaesthesia accidents happening in Operating Room 8 at the Boston Memorial Hospital? Why is pretty Nancy Greenly (Lois Chiles), the girl who went in for a routine operation, coming out in a deep and irreversible coma? Why are so many of the hospital Top Brass —from kindly Director Richard Widmark to chief anaesthetist Rip Torn — anxious to prevent Nancy's friend (Geneviève Bujold) from investigating the possibility of foul play? And why does her boy friend and fellow doctor (Michael Douglas) seem equally obstructive?

Confused? You will be less so after seeing Michael Crichton's *Coma*. Coming two weeks after the excellent *Laura Mars*, this film gives one new hope for the Hollywood thriller. The style is Penny-Plain compared to the Fashion-supplement Baroque of *Laura Mars*; but the story has a spooky and remorseless logic, and it twangs almost every hospital-phobia nerve in the filmgoer's system.

Crichton wrote and directed that robot fantasia of yesteryear *Westworld*, and this film deals in similarly *outré* ideas about the mechanistic uses and abuses to which the human body can be put. Crichton has a wonderful feel for the slow build-up of suspense—gliding his camera through the hospital's white corridors and dark basements—and a wonderful eye for surrealist visual revelations. The choicest of these comes when Miss Bujold traces the de-hospitalised coma victims to a huge, evil building called the Jefferson Institute. The room in which they are kept — open to visiting doctors one day a week —is a large hangar in which the bodies are suspended from the ceiling like so many human mobiles. "It prevents bed-sores and cuts down the cost of patient-care" explains the nurse, simply, before whisking the conducted tour on to the next attraction. What the bodies are *actually* being kept there for is a revelation best left intact until you see the film.

Judged retrospectively, the film is mined with unlikely coincidences, red herrings and leaky explanations. But hindsight scepticism is a small price to pay for the continuous present of the film's suspense. And Geneviève Bujold's performance in the main role is one of the best damsel-in-distress *tour de forces* Hollywood has given us since Janet Leigh in *Psycho*.

Jean Jacques Annaud's *Black and White in Colour*, which mystifyingly won the 1977 Academy Award for Best Foreign Film, is a Gallic comedy about the tinpot mobilisation of a French colonial outpost in Africa's Ivory Coast, circa 1915. When war is declared — or rather discovered, since news of it reaches the sleepy colonials in a yellowing newspaper wrapping a wine bottle — the French arm and uniform themselves, and set out to enlarge their friendly feud with the neighbouring German colony into outright and official War.

The result ought to be funny and pointed, but it isn't. The jokes misfire or fail to ignite; the colour photography is inappropriately bland — more like a Martini advertisement than a recreation of rough, dusty days in the bush; and one keeps twiddling one's thumbs waiting for the comedy to arrive and wishing that Bunuel or Sembene had tackled the same subject. Several good character actors come and go to no effect—Jean Carmet, Jacques Dufilho, Jacques Monnet —and the film's winning of an Oscar must be considered one of the odder aberrations in which that wayward statuette has been involved.

Phoenix

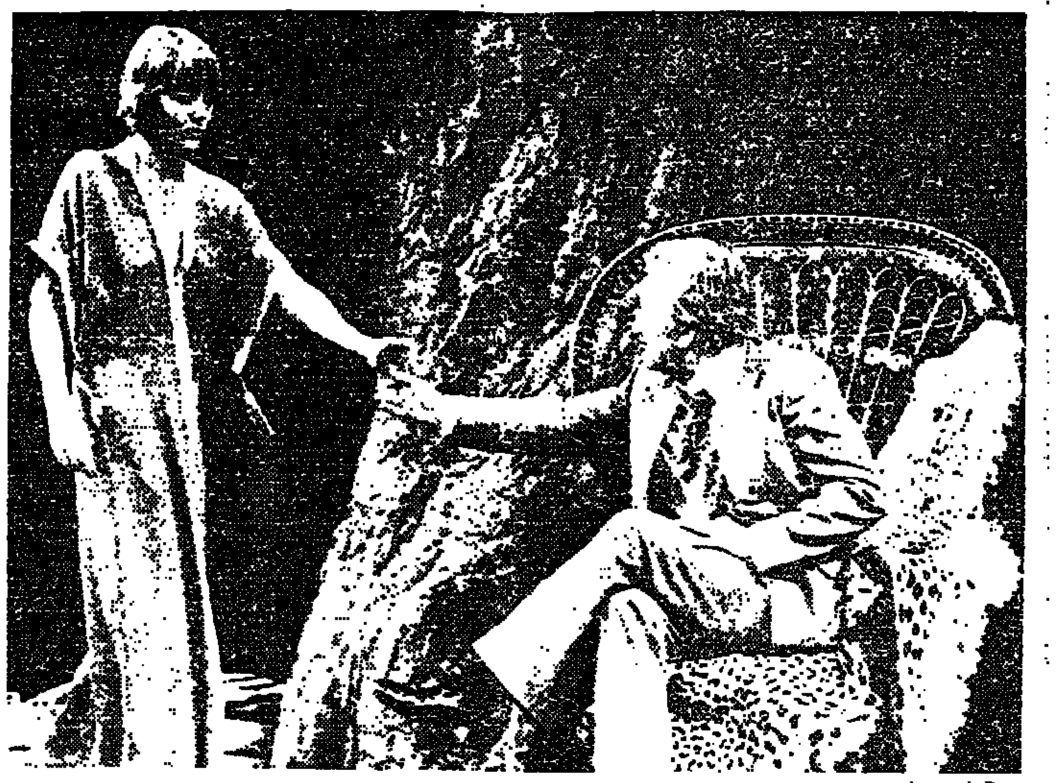
Night and Day

by B. A. YOUNG

The curtain rises on jeep headlights gleaming through ground-mist under a dead tree. We are in Maugham country: and we stay there when Carl Toms's versatile set curls round itself to become the bungalow of a mining engineer in Kambawe, a former British Colony in Africa.

George Guthrie and Dick Wagner, photographer and reporter respectively from the *Sunday Globe*, have come to Kambawe to report on the civil war that is about to break out. They have come to this bungalow because Geoffrey Carson, its owner, has a Telex, which may be the only reliable means of communication with home. But they are too late: a freelance, young Jacob Milne, has already filed an interview which, by-lined "From our Special Correspondent," has driven Wagner's routine story down page.

The Maugham atmosphere is maintained while the war matures in the distance and in the conversation. Carson's wife, Ruth, lately home from England, confesses to infidelity — with Wagner, no less. Now she turns her attention to Jacob. Romance, however, though it holds the stage for much of the evening is not the theme of the play. Its theme is newspaper morality.



Leonard Burt

Diana Rigg and John Thaw

The author knows journalism and NUJ politics from the *inside*. For his argument he has Jacob, still young enough to see journalism as a crusade, even to the extent of breaking a strike; Wagner, the embattled union man, who believes that solidarity is more important than good reporting; and Guthrie, a neutral to whom newspaper photography is a living. While the three of them cover the forthcoming war in their several ways, their relationships with one another and with Ruth compose a story that is positively, and happily, old-fashioned in its narrative excitement.

There are weaknesses in it, I think. The delayed revelation of Ruth and Wagner's association in London is melodramatic; so is the use of the boy Alastair to leak secret information. They are the kind of weakness I like, being still nostalgic for a well-told tale such as the theatre too seldom gives us now. Much of the dialogue is "larger than life," as it should be when the question of newspaper ethics is discussed in depth, a voice even given to the dictatorial President of Kambawe, who says "A newspaper is responsible when it is edited by one of my relations."

Ruth is even allowed asides to the audience, sometimes accompanied by popular music. Ruth is played by Diana Rigg, who can encompass such an eccentricity on her head and gives a fine performance of this lovable, loose-living woman. serious matters are discussed— Maugham to her finger-tips. The three journalists are John Thaw as the brash Australian Wagner, Peter Machin as Jabob and William Marlowe as Guthrie; David Langton plays the imperturbable Carson and Olu Jacobs is the very perturbable President.

The author, you would never guess without inside information, is Tom Stoppard, wisely exploring new fields, and the impeccable direction is by John Wood. How excellent it is to leave a theatre thinking as this play makes you think.

Sadler's Wells

Rinaldo

by MAX LOPPERT

The Handel Opera season at Sadler's Wells opened on Wednesday with *Rinaldo*. The opera has figured prominently in past Handel Opera programmes; it is more than a little unfair on the society, and at the same time a mark of the educative effect its many years of pioneering effort have had, if now one begins to crave a new way of putting the work on—a style at once more opulent and spectacular than the society's shoe-string budget can afford, and at the same time closer to that of the period.

Rinaldo was Handel's first opera for London, and first produced here in 1711. With it, he determined to make his mark upon the London musical scene: and upon it he lavished the full, youthfully exuberant inventiveness and copiousness of his musical resources. Its orchestral writing is almost extravagantly vivid and colourful (there are virtuoso obligato parts for three recorders, four trumpets, harpsichord, and *violone grosso* in some of the most striking arias). Its requirements of stage spectacle manifest a similar concern for brilliant effect: and in number after number, the fertility and variety of the Handelian melodic invention are felt to be at their peak. The work (a clumsy reworking of Tasso by Aaron Hill) was assembled in haste—Handel drew liberally on past works—and signs of that haste are recognised in the lack of dramatic cogency and prevailing shallowness of characterisation.

But it is, for all that, a splendid show, capable of making an exhilarating effect. That, in a nutshell, was what Julian Oldfield's valiant production, in the imaginative (though somewhat roughly executed) designs of Miranda Melville, was not. For the *Battaglia*—a symphony accompanying the climactic battle between Crusaders and Saracens, spectacularly plotted in the libretto—Mr. Oldfield had devised a pantomime behind gauze which intelligently answered the need for spectacle. Elsewhere scenic shifts tended to be awkward, and the solutions contrived for such things as the sorceress Armida's empire of spirits (busily choreographed and usually accompanied by "strobe" lighting) seemed at once over-active and under-controlled, neither "in period" nor convincing as a modern alternative to period manners.

Perhaps one might not have felt the deprivations of stage resource and the uncertainties of stage style so keenly if on Wednesday the stage management had worked less creakily; and, more important, if the singing and acting had evinced the kind of forcefulness of conviction that throws production devices into the background. The performance gained security after a rather loose first act, in which the Handel Opera Orchestra under Charles Farncombe was more than once out of step with the singers; but only Eiddwen Harrhy's Armida, sung and played with a good deal (if not the full measure) of her wonted glitter, came across the footlights as a definite dramatic presence.

In the title role, Gillian Knight made a serious honest impression without fully persuading one that hers is the voice or the stage persona for an alto castrato hero. It was good to hear Wendy Eathorne singing with much of her former sweetness and individuality of timbre; Almirena's "Lascia ch'io pianga" ("Weeping, forsaken" in Mr. Farncombe's translation) was affectingly phrased. There were competent performances by Kenneth Bowen as a tenor Goffredo (the familiar Handel Opera edition conflates the first and later editions of the opera) and John Rath as Argante (he must watch his intonation). Mishaps apart, the tempos struck by Mr. Farncombe were often felicitous; but once heard, the sound of original instruments in Handel—remembered from this year's (in some ways less satisfactory) English Bach Festival concert account of the opera —is not easily forgotten. Three further performances, and tonight the *Semele* revival.

Coliseum

The Thieving Magpie

by RONALD CRICHTON

Rossini's *Thieving Magpie* or *Gazza ladra* has come to the Coliseum in a new production by Tom Hawkes. The settings by Peter Rice that are at least in part the familiar, delightful ones from the Sadler's Wells staging that was once a great success in the years before the move to St. Martin's Lane. That staging by Anthony Besch re-established the *Magpie* as a major work, an opera *semi-seria* standing between the comedies and *Moise* or *Tell*, a sentimental village drama with tragic undertones but a happy ending. The score is full and elaborate, calculated to upset those who accuse Rossini of laziness and opportunism by being carefully and skilfully worked (for instance in the way the relevance of the overture, even of the introductory drum-roll, is gradually made clear — it was intended to please the public at La Scala and did so.

Bryan Balkwill has returned to conduct, with spacious authority and, a few un-togetherful details apart, the precision the score demands. Some fluffy string entries and an occasional hint of unready horns were only small clouds in a sunny sky. The chorus, important in this opera of big ensembles, was good, especially the men in the splendid trial scene. Two of the soloists were members of the original Sadler's Wells cast. Harold Blackburn resumes the role of the wicked Mayor with designs on the heroine Ninetta.

Della Jones and John Brecknock

Mr. Blackburn's ability to combine words delivered with relish and a firm musical line have seldom been better employed—only the pure cantilena of the trio with Ninetta and her father Fernando gave him some difficulty. Don Garrard is once again Fernando, a character so sympathetic (at least as presented by Mr. Garrard) and unusual that one is curious about his omitted solo scene in the second act.

With respect to the eminent old stagers, the seal is set on this revival by the young couple —the serving maid Ninetta, falsely accused of stealing silver found in the nick of time in a tame magpie's nest, and her soldier lover, Giannetto, her employer's son. Della Jones, warmly praised for her recent Cinderella, further confirms her excellence as a Rossini singer with her Ninetta. The tone is as firm, juicy and pungent as a crisp apple. She delivers Rossini's far from simple line with a promptness, ease and musical pointfulness that make one understand why the role appealed in the past to sopranos of the calibre of Grisi and Patti. She looks charming.

As Giannetto John Brecknock throws out his entrance aria with a rare mixture of intelligence and bravura (Ninetta's entrance aria on the other hand is one of the few dull numbers in the opera) and lends distinction to the stage every time he appears. The restored duet for the two lovers in the prison scene goes so well that one wonders why it was ever left out. The rejoicings after Giannetto's entrance, which contain some delicious bucolic music, have surely been shortened or shorn of repeats.

The boy Pippo is one of the best trouser-roles in the repertory. Cynthia Buchan succeeds in the task of following Patricia Kern. She hasn't quite the same warmth of personality but like her predecessor she understands that what matters in the florid writing in Pippo's duet with Ninetta is not brilliance but tenderness. Rossini's florid manner (though one might never think so from clumsy attempts at mastering it) is as much concerned with expression as with show. Alan Woodrow as a kindly gaoler, Jean MacPhail and Patrick Wheatley as Ninetta's parents, Peter Tracey as a soldier, make their contributions. The magpie does his bit, as far as the dingy lighting allows.

Anthony Besch's staging at Sadler's Wells gave a remarkably complete impression of the life of a small Italian town or village. He was aided by the baked-brown settings and costumes of Peter Rice, low in key but affectionately observant and accurate. Sets so well fitted to Sadler's Wells are only too likely to lose their effect on the larger Coliseum stage and, with the exception of the prison and perhaps the courtroom scenes, they have done so. Generally unsympathetic lighting does not help. But while Mr. Hawkes is not so happy with massed scenes, he succeeds very well with the soloists, notably in the admirably performed ensemble that opens the act one finale. On balance *The Thieving Magpie* shows the English National Opera in vigorous form. The unusual, attractive opera should bring pleasure to even larger audiences than before.

Christmas at the National

The two main national theatrical companies based in London both have special Christmas shows this year. The National is presenting *Herod* at the Cottesloe, written by Paul Mills with music based on early medieval plainsong by Harrison Birtwhistle and Dominic Muldowney. It opens on December 11. There will also be reduced price family concessions for *Plunder* over the Christmas period.

The Royal Shakespeare Company is presenting a show for children for the first time for many years. It is by Peter Flannery and Mick Ford and is an adventure about a failed stuntman, *Awful Knawful*. It will play at the Warehouse from December 20.

Elizabeth Hall

Contrapuncti

The concert by Contrapuncti on Wednesday was over-long and under-patronised: at least one of those things was due to the inclusion of 14 little pieces by Percy Grainger. Amiable, undemanding and ever so slightly adventurous, they were undertaken with due affection and verve—especially by Jane Manning and Stephen Varcoe, to whom (mostly in tandem) the songs were assigned. Most of the instrumental pieces were song-based too, whether arrangements or simple pastiches. No claim to interesting originality could be sustained by any of them, though "Bold William Taylor" pre-echoes Britten's way with folksongs. The odder numbers —"Arrival platform humlet" for solo viola, a harum-scarum rewrite of Bach called "Blythe Bells," a version of "Shallow Brown" with Wagnerian swells from a hotel-size band—sounded like one-off experiments, jotted down with no further end in view.

Gordon Crosse's new *Thel*, first heard at Aldeburgh, was commissioned by the Gulbenkian Foundation for the flautist Richard Adeney, who played it again on Wednesday with his usual elegance and transparent tone. The soloist is supported—very discreetly—by double string septet and a pair of horns with small bells; though the horns speak quietly in their lowest registers, the whole piece seems to float above the treble stave. The heroine of William Blake's "Book of Thel" hovers behind it, but the intended emotional darkening of the music toward the end—echoing the course of the poem—remains a pale suggestion. The curvetting flute line dominates, weaving variations on the pattern of white notes which generates most of the piece. The quarter-hour that it takes is sustained not by contrasted events, but by suave, small-scale invention, flattering to the soloist and graceful to hear.

Michael Lankester also conducted the first performance of *Jeder Engel ist schrecklich*, by Erika Fox, whose programme note failed to explain the point of setting passages from Rilke's Duino Elegies so as to render them indistinguishable. Miss Manning and Mr. Varcoe took the vocal roles redoubtably, though the expressive point of the soprano's wanderings about the platform and the baritone's frequent falsetto excursions remained obscure too. The claim that the vocal music and the instrumental were "conflicting factors" was not confirmed in the hearing, nor therefore was any "reconciliation" between them perceptible: what met the ear was a succession of small musical gestures, patently of a 1960's cut, in a moderate tempo. Not unpleasing, fairly anodyne: hard to believe that Rilke had anything to do with it.

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Coming home to roost

THE CHANCELLOR chose to present the latest rise in minimum lending rate as a largely technical adjustment—a move which takes the authorities a modest step ahead of the market, and thus provides a prudent hedge against the influence of rising U.S. rates and fires a warning shot across the wage negotiating table. In a purely technical sense he is right, and this was reflected in the fairly calm reception of the news in the markets. Nevertheless, the move marks a defeat for the Government in three senses.

A defeat

It is a defeat in the markets. The only reason why MLR had fallen a point and a half behind the market is that the authorities were until recently trying to check the rise in rates, and convince the market that the situation was well in hand. One reason for this setback is the more serious defeat over wages: the five per cent policy is in tatters, and we are thrown back largely on the crude monetarism which Ministers denounce so heartily when some Conservatives recommend it. Finally, it is a defeat for the Chancellor and his Budget strategy. The combination of market pressure and official reaction has now pushed interest rates to what is, in real terms, an ugly record. The average business loan will now cost some seven per cent more than the going rate of inflation. Even when the market was confident some weeks ago, the real cost of loans was high. This is the inevitable result of an excessive demand for credit.

The fact is that in April the Government took the wrong view of the economy. It was too optimistic about the result of the 10 per cent wage policy, and too pessimistic about investment. As a result both consumption and capital spending have been rising much faster than forecast, and the private sector demand for credit has grown correspondingly. Even on the official forecasts, a £8½bn public sector borrowing requirement represented the outer limit of financial risk.

With total credit demand still higher than forecast, the competition to borrow has driven interest rates up to a point where the recovery will be checked sharply. The fiscal stimulus which was supposed to get the economy moving has thus backfired. This is inevitable whenever a Government pursuing a strict monetary policy (and pursuing it, it must be conceded, with firmness) fails to recognise that the implied limitation on credit growth applies forcefully to its own borrowing.

Ministers are now perhaps hoping that they have put another of our annual autumn crises behind them. If the dollar now embarks on a convincing recovery, so that interest rates in New York can begin to ease, and if more workers follow the example of many Vauxhall employees and of some bakery workers, then perhaps the markets will begin to respond and all will be well again. The Government has shown that it is not afraid to act to enforce its monetary policy, and that policy has in fact been significantly tightened. Since monetary growth up to October has almost certainly been at the bottom end of the 8-12 per cent permitted range, the rolling forward of that target considerably reduces the growth that can be permitted in the second half of the year. Admittedly, dressing up a tighter policy as an unchanged one is an odd way to frighten the unions, but at least the market will understand what has been done.

Second best

Quite apart from the fingers-crossed element (neither the dollar nor wages are likely to fulfil official daydreams) this is very much a second best policy. The right way to solve the present problem is not monetary, but fiscal, and for two reasons. First, it remains necessary to correct the misjudgment made in April. Second, it now seems likely that earnings will rise fast enough to finance a growth in consumer demand a good deal faster than the economy or the balance of payments will stand.

A deflationary package of spending cuts at which the Prime Minister has already hinted, and perhaps a rise in indirect taxes, would do far more to impress both negotiators and markets than any further tightening of what is already a tough credit squeeze—and also far more to guarantee the sustainable growth of the economy. We are now suffering the consequences of running risks with over-stimulation; it is time to tip the balance the other way.

Mrs. Gandhi's comeback

A GREAT MANY Indians will be shaken by Mrs. Gandhi's return to politics following her by-election victory, and by the possibility of her return to power. As Prime Minister she brooked little opposition and dealt harshly with her critics. Should she return to office she is unlikely to show much mercy to those officials and members of the judiciary and the Press who have denounced her for abuse of power.

But Mrs. Gandhi has so far conducted her campaign against the judicial proceedings that have been initiated against her by mobilising support on the street. This extra—Parliamentary agitation—often resulting in violence—is damaging to the health of democracy in India. What should be welcomed by all parties in India is that Mrs. Gandhi's victory means that the main opposition will now be focused in Parliament itself.

Alternative

Her return to politics and the likelihood of the Congress Party uniting behind her also means that India has a chance to develop the two party system, and thus the possibility of an alternative government, that has eluded the country since independence. The justification that could be put forward for Mrs. Gandhi's years of Emergency rule is that a stronger executive is needed to hold India together and govern it effectively than was allowed for in the Westminster model inherited from Britain. One of the tragedies of the Emergency was that Mrs. Gandhi tarnished this case by allowing a stronger executive to misuse power.

Mr. Desai, since taking over as Prime Minister, has run a far more open system of government. But his administration has been ineffective and there has been a dangerous loss of power by the central government to the states and to organised pressure groups ranging from trades unions to communal organisations.

In practice neither Mrs. Gandhi nor Mr. Desai are of the character to initiate any such debate about alternative forms of government in India. Mr. Desai is preoccupied with with holding his unwieldy Janata coalition together. His failure to get a strong grip on the economy has been masked by three years of good monsoons which have boosted agricultural output and hence rural purchasing power. Mrs. Gandhi's main achievements as Prime Minister lay in her mastery of machine politics, her power to mobilise public opinion, and the leadership she gave at times of crisis such as the 1971 war with Pakistan. But she was no initiator of new ideas. Nor sadly is there much sign in either the Janata or Congress Party of new leaders emerging or of debate on what form of government is most suitable for India.

An important reason for Mrs. Gandhi's decision to fight the by-election at Chikmagalur in Karnataka in southern India was to ward off the possibility of legal action against her. The Shah Commission — set up by the government to inquire into abuse of power during the Emergency—has amply demonstrated the dangers of dictatorial government. It has also shown that there is a fine and often indistinguishable borderline between bad administration and criminal responsibility.

Her by-election victory is by no means proof that she would win at a general election. Her political base is now in the South of India. She has still to demonstrate that she can win the Hindi belt of the north where the excesses of the sterilisation campaign swung opinion most deeply against her. The Janata Party has clearly been given a bad jolt. Mr. George Fernandes, the Industry Minister, and one of the most lively members of the Cabinet, rightly put down the party's defeat to bad organisation, failure to project the government's policies, and a lack of contact with the people. The setback at Chikmagalur could just provide the impetus to put these defects right.

The case for easier terms to explore for North Sea oil

By KEVIN DONE, Energy Correspondent

IF THE UK's experience as a self-sufficient oil producer is to be much more than a passing phenomenon in the early 1980s a vast offshore exploration effort must be launched over the next 10 years. The oil exists to maintain near self-sufficiency until the end of the century, but much of it is unlikely to be explored and developed without a radical change in the direction of UK Government oil policy.

This is the burden of a major report that has been prepared over the last 10 months by the oil companies operating in the North Sea. It was prepared at the request of Mr. Anthony Wedgwood Benn, the Energy Secretary and will be discussed at the next meeting of the Energy Commission in three weeks time.

Coincidentally the report is being published at a time when the Government's credibility with the oil industry has reached one of its lowest points. It comes at a point when Government and oil industry views on how the UK's offshore oil resources can best be developed are diverging widely and when there are few signs that the two sides might reach a consensus.

When the Energy Commission was formed with delegates from the fuel industries, the trades unions, the universities and Government, the UK Offshore Operators Association (UKOOA), much to its consternation, was not represented. But it was promised an opportunity to air its views and at the beginning of this year it set about producing the paper, which has now emerged with the grand title: "The Inter-Dependence of Government Policies and Industry Effort In Optimising The Potential Benefits of UK Continental Shelf Oil."

In recent months oil industry protests that Government policy was eroding its confidence have become more vociferous. Offshore oil development would not prosper, if the oil industry lacked confidence to invest, the industry argues. At first glance it appears it might have a case. Exploration drilling this year has slumped to its lowest level since 1973. The Government has tried to explain away the fall, but it has itself become concerned at the drop in activity and discussions have been started between the Department of Energy and UKOOA to try to analyse the reasons.

At the same time the Government has felt sufficiently confident about the progress of offshore oil development—11 fields are now in production and self-sufficiency should be attained in 1980 — to tighten the screw considerably on the oil companies.

Over the last 12 months it has introduced the idea of phased development consents for the first time. When the Fulmar Field development plan was passed in June the approval was limited to the end of 1985. The Government is insisting on having the power to review development programmes after the initial build-up of production.

It has changed its policy on allowing farm-in deals, which now means that the British National Oil Corporation must have first refusal on any prospective deal. As licences mature these deals had been seen by companies as a useful way of buying their way into other groups' exploration acreage. But this trade has now virtually come to a standstill.

When the conditions for the Sixth Round of Offshore Licensing were published—applications must be submitted by November 20—the oil companies were asked to compete in their bidding to offer the British National Oil Corporation more than its automatic 51 per cent equity share in new blocks and they were also asked to offer to carry all or part of the State oil corporation's exploration and appraisal costs.

But the blow that really made the oil industry smart was the Government proposal to raise the rate of Petroleum Revenue Tax next year and also change other parts of the taxation regime.

Guerrilla campaign

The result is that an increasing guerrilla campaign has been waged over the past few months between the Government and the oil companies. Both Mr. Benn and Dr. Dickson Mabon, the Minister of State for Energy, have made it clear that they consider much of the industry's case has been made merely to establish a bargaining position. The Government is out, they say, to secure "a fair and reasonable return" for both the country and the industry and they appear to suggest that they have heard the companies cry wolf too often in the past to be swayed from their path now.

But for the first time the oil companies are trying to explain their case in detail, and the UKOOA Energy Commission report is a large contribution to the debate that will now follow.

The association argues in the introduction to its report, that the magnitude of the exploration and development effort necessary to keep up the level of UK oil production into the 1990s has not been realised or appreciated outside the oil industry itself. Its research shows that UK oil production could meet most of the country's oil needs to the end of the century "provided that the Government adopts policies which will encourage a high exploration and development effort. The exploration effort will need to be considerably higher than the current level," it says.

There are currently 25 oil fields which are either in production or under development, or are expected to be developed in the near future. Under the most optimistic assumptions these 25 fields could provide a combined production capacity exceeding 2.5m barrels a day in the early 1980s. (UK consumption is currently about 2m barrels a day).

But this level of production cannot be sustained for many years. From the 25 fields output would decline to about 1m barrels a day in 1990 and to only about 400,000 barrels a day in 1995.

Since 1967 some 15bn barrels of "technically" recoverable oil has been discovered. This is the amount of oil that could be recovered by existing methods if no regard were paid to the economics of development. But the offshore oil operators argue that there has been a significant shift in the size of the discoveries made over the exploration period from 1967. The change occurred half way through this period. The 161 exploration wells drilled by the end of 1974 made 37 discoveries, while the 184 wells drilled from 1975 to 1977 resulted in 40 finds.

But most significantly only one of the eight major fields that have so far been found in UK waters—that is fields exceeding 500m barrels—was found in the later drilling period. The existing commercial fields are concentrated in the earlier period of exploration, when as much as 11bn barrels of the 15bn barrels of technically recoverable oil was discovered. The North Sea is becoming a mature oil province and as in other areas of the world there is a general shift to smaller discoveries as exploration continues.

The overall success of drilling in UK waters has been quite good, says UKOOA, but this success peaked in 1974 and since then there has been a deterioration. Success in finding larger fields has declined dramatically. About one well in five has found some oil but only one well in 14 has discovered oil in sufficient quantities to be considered commercial under the present taxation regime.

The average size of fields discovered has fallen sharply from the exceptional level of more than 900m barrels in 1970. A year later it was down to less than 600m barrels and from 1974 there has been a steady decline from around 200m barrels to less than 100m barrels in 1976 and 1977 to less than 50m barrels in the first five months of 1978.

The number of discoveries peaked in 1975 when 75 wells were drilled. In both 1976 and 1977 there were 10 finds from 51 wells and 58 wells respectively. But this year the number of exploration wells is likely to be below 40 and by May there had been only two very small finds.

From this actual experience UKOOA has built up a picture of the way oil discoveries are likely to develop over the next 20 years. It has taken as an exploration target the level of production that would be needed in the mid-1990s to sustain near self-sufficiency, which is a realistic aim given the UK's estimated total reserves. It is a critical period because as yet it is unprovided for and it is the earliest time that could be practically influenced by Government decisions formulated now, says UKOOA.

The extra production that will be needed by 1993-97 is some 2m barrels a day, but how this is achieved will depend critically on the size of fields that are thought to be commercial.

If the commercial threshold for fields is reduced, the total amount of oil that must be found to meet such a production level is also dramatically cut. Most fields today need to be in excess of 250m barrels before they will be considered for development. At that threshold the oil industry would have to find an additional 13.7bn barrels of recoverable oil. It would need a total of 136 oil deposits to be discovered and 13 commercial sized fields to be developed. The discovery of such a total of new reserves is unlikely.

But if the size for commercial fields is reduced to 150m barrels the additional reserves that must be found would fall to 9.2bn barrels with 89 oil deposits found of which 18 could be commercially developed. At a threshold of 50m barrels as many as 32 fields would have to be developed but the additional reserves that would have to be located could fall to 5.8bn barrels.

If fields of 50m-150m barrels could be considered commercial, then UK self-sufficiency through the 1990s could be achieved from total recoverable reserves of 21bn-24bn barrels. This is within generally accepted estimates for UK waters, which makes the target of 2m barrels a day from future discoveries "quite realistic," says UKOOA.

Mammoth effort

But to achieve this production will need a mammoth exploration effort. As many as 60-95 exploration wells a year will have to be drilled in addition to appraisal drilling of the discoveries. That would keep 12-19 rigs continuously engaged on exploration work. About 18 to 32 new commercial fields would then have to be developed from among the new discoveries.

But what is the price the oil industry would exact for such a commitment of its resources? At present about half the international oil industry's worldwide effort in offshore activities is concentrated in UK waters. And UKOOA stresses that a significant portion of worldwide oil industry work would have to be committed to the UK for the long term.

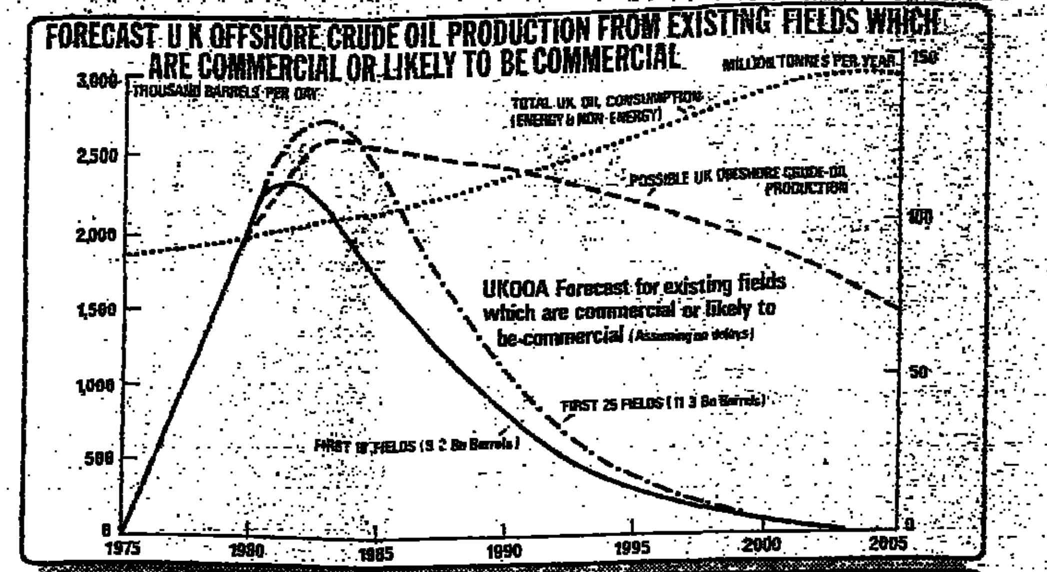
The commitment will only be given, says UKOOA, if the industry has confidence in UK government policy. More acreage must be allocated to sustain a higher level of drilling than present licensing rounds offer.

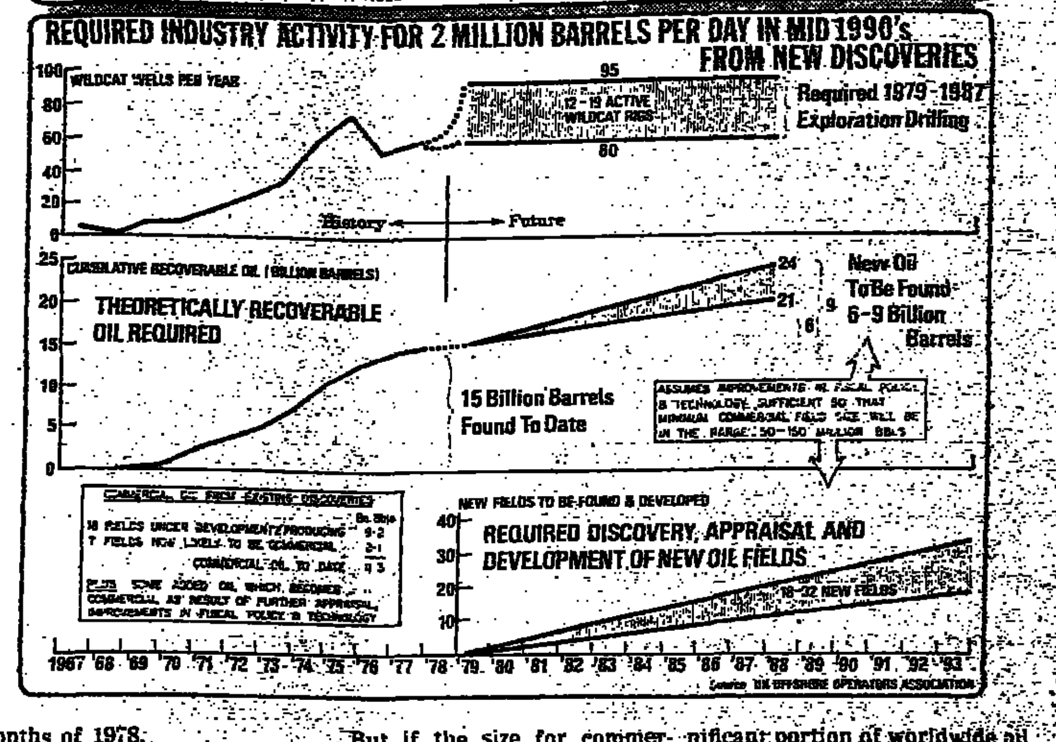
There must be a more favourable taxation regime that would reduce the threshold for commercial fields to encourage the development of smaller and deeper water fields. Assurances must be given about the manner in which the Government's present sweeping regulatory controls will be applied to both existing and new fields.

But will the oil industry's pleas be accepted? In essence they go against the fundamental principles of the Labour Government's present policy, which is to increase the role and share of the state in offshore oil development at every opportunity. That policy might be modified if the oil industry really begins to pull out of the North Sea in a big way—its applications for licences under the Sixth Round later this month will be the first big test.

But Dr. Mabon re-stated his belief only last month that oil companies receive one of the most favourable returns from the North Sea of all their multinational operations. "The North Sea is still considered by many leading oilmen—privately if not publicly—to be one of the most attractive investment areas in the world."

While the Government hangs on to that belief it might just accuse the companies of again crying wolf.





MEN AND MATTERS

Tarring over the cracks

Companies do not usually talk of deals until they are completed but yesterday Robin Martin, chairman of Tarmac, explained: "We thought a piece of good news would be helpful" when asked about his company's announcement that it is finalising details of the sale of its loss-making subsidiary, Cubitts (Nigeria). Investors were quick to agree with Martin, marking Tarmac's share up from 135 to 140. After all, Tarmac's latest balance sheet makes a £16m allowance for losses on its contracts in Nigeria.

In fact Martin has another possible deal up his sleeve. He says Tarmac's West German subsidiary Tarmac Bau has been losing "a great deal over the years." But now he has plans "in the nature of selling off parts of it."

Given Cubitts (Nigeria) problems I was surprised to learn that the Middle East group planning to purchase the firm wants to keep the present management team there. All the more so since back at home the deal has led to a shake-up in Tarmac when 14 months ago William Francis, then chairman designate, left Tarmac. He had been largely responsible for investigating the Nigerian part of Holland Hannen and Cubitts' operations when Tarmac bought the latter in 1976.

Francis now runs Cementation, the construction arm of Trafalgar House, but Martin explained that he had left Tarmac because "the board felt the company had gone too far and too fast in contracting overseas. Expansion had not been solidly based. The Nigerian situation was surprising in its immensity but was seen as symptomatic." Since then Martin, 57, has continued as chairman and chief executive.

He tells me that the firm is planning in due course to find a successor, though he would probably stay on for a period as chairman after a new chief executive is appointed. He adds that the firm is "widening its choice" and is "in the market for suggestions."

Waiving port

Greek authoress Arianna Stassinopoulos might not have seemed the obvious choice as guest speaker at the annual lunch of the British Compressed Air Society at the Dorchester yesterday. But she provided a service of a kind for one of the guests who had named his new yacht Kallos, meaning in Greek "good and beautiful."

"It's spelt with one 'l,'" said la Stassinopoulos. "Apart from that yachts are female so it would have to be 'Kali'." The agitated hydraulics man could hardly get through his souffle fast enough to rush off and telephone his boatbuilder. "I wish I hadn't asked," he muttered, when he realised his boat would have to be pulled out of the water to be repainted.

Retailer's voice

Consumer protection is to be one of the subjects covered by a new EEC Committee, so I was surprised to learn that one of the two British members of the committee is a man from the other side of the retailing fence, John Sainsbury. But Sainsbury was quick to explain that consumers already have their own consultative committee in Brussels and that the committee he is joining is to help bridge the "communications gap" between retailers and Brussels.

Its formal title is the Committee of Consultants for Trade and Distribution. Sainsbury thinks retailers have been less well represented in Brussels than industrialists and farmers but says: "We cannot complain if we do not make some attempts to talk to the Commission." He is not clear what exactly is on the agenda of the committee though says it could look at the effects of "super-attractive" proposals by consumer groups and weigh up their cost-effectiveness.

One such proposal is for an EEC directive on misleading advertising which would require such advertisers to publish "corrective advertisements." When I asked Sainsbury's Company Secretary, Nigel Matthews, about whether he appreciated this revolutionary idea he answered a quick "No. It is hard enough trying to say the things you want to without having to say what is going wrong."

Border country

The Dutch-Belgian border is a cheery place, bisecting village high streets without a customs post in sight, and occasionally running through houses so that one's kitchen is in one country and one's dining room in the other.

But it is only now that the EEC is over 20 years old that one Belgian chef has cooked up a recipe for using this fact to avoid tax.

The chef, Leon Duys, found that Dutch law requires payment of a tax for cooking in the street but not for selling cooked food. Belgian law requires the opposite. So Duys set up a stand on the border, frying chips in the Belgian half of his stand and selling them in the Dutch half.

Branching out

"We want," said the new secretary of the Tree Council, "to be seen as a public relations organisation for trees." As if to rub in the point, the new-look council is flexing its publicity muscles with a "great Womble Tree Planting" on Wimbledon Common next week.

It seems something of a departure from the, well, decorum one associated with the council. Yes, said the secretary, appropriately named Susan Forrester, things had changed, including the staff of four: "Before, the secretary was housed in the Department of the Environment, and the Tree Council was really a quango. We were nurtured in the bosom of the DoE, but this a totally new situation." Since April the council has been fully independent.

Simon Klinger, a director of the Tree Council who has devoted most of his energy to Trees for People, is more outspoken: "The DoE used the Tree Council for its own publicity needs. It was a cheap way of getting public relations. There was a lot of talking, there were lots of meetings, but nothing seemed to happen. If you detect a note of cynicism in my voice you're dead right."

Klinger is optimistic that the new-style Tree Council will do something more than preach to the converted: "It's not good enough to get Prince Charles along to plant a tree when it's going to be pulled up next day. Rather than build barricades round trees you have to attack children from the age of five. They are destroying several hundred thousand mature trees a year."

Parting dig

On his retirement yesterday Leslie Marler, one of the old-timers in the property market, was less than laudatory about the colleagues with whom he had dealt for 40 years.

He quoted Wren's epitaph: "Si monumentum requiris, circumspice." And added that if "us lesser mortals" looked around "there'd be damn all to find."

Observer

POLITICS TODAY

That Was The Week That Was

The old master before he lost his touch: an ebullient Harold Wilson on first becoming Prime Minister 14 years ago

A WEEK which includes the sacking of a Tory front-bencher, the resignation of another, the dismissal of a Parliamentary Private Secretary who at first refuses to go, the spectacle of two ex-Prime Ministers seeking to justify themselves in the House of Commons—one of them explicitly disavowed by his Foreign Secretary of the time—the further rise in the stature of Mr. Edward Heath in the Labour Party, a 2½ point rise in MLR, and moreover a week which at the time of writing has still not finished — such a week can hardly be described as uneventful.

There are, of course, limits to the extent to which one can impose order upon chaos, as the above sentence shows. Yet there are, I think, two common and related themes to what has been going on. The first is the challenge to authority, and the second is the growing demand for more open government. They are related because it is precisely the lack of open government which leads to authority being challenged.

Sir Harold Wilson will do as well as anyone to illustrate the point. One is often asked on an occasion like this whether a Parliamentary performance was really as bad as the Press has suggested. The answer in Sir Harold's case is that it was even worse. He was rambling, he was ineffective, he was pathetic. He sought to blame everyone for the Rhodesian sanctions-busting except himself. All of that, however, could be put down to the old master having simply lost his touch—the same thing happened to Ramsey MacDonald. What is much more important is that Sir Harold does not even seem to have begun to understand the real issues raised by the Bingham Report.

These issues are quite straightforward. It became clear to the Wilson Government of 1964-70 that sanctions against Rhodesia could not work in the sense of ending the rebellion or bringing about a negotiated settlement without also taking action against South Africa. Such action would have required international support which would have been difficult, if not impossible to secure, and in any case for economic reasons of its own the British Government did not wish to try. It was therefore decided to continue sanctions in their existing form, but to conceal the knowledge that they were unlikely to have the desired effect.

More realistic

The questions raised are as follows: Did the act of concealment encourage the Government in its illusions of power? And would not a decision to have gone public have led to a more realistic assessment of the situation all round?

There is a perfectly respectable case—it was put by Mr. George Thomson, the Commonwealth Secretary at the time, and was supported by Mr. Michael Stewart, the former Foreign Secretary, in the debate this week—for saying that the Government's action was right, at least in the circumstances of the day. Sanctions, after all, did have some effect on the Rhodesian economy. They were a reminder that Mr. Ian Smith's unilateral declaration of independence was internationally unacceptable. Besides, a public admission that Britain was unable to stop oil supplies would have neither ended the rebellion nor reduced the flow of oil.

The case against is that the Government's action deceived the public and a large part of the House of Commons. It encouraged the Government to go on thinking it had more influence than it really had and it prevented an open debate about the merits of commercial considerations (*i.e.* trade with South Africa) vis-a-vis moral gestures or even moral responsibilities (*i.e.* the need to do something about Rhodesia). This debate has still not really taken place to this day, even though it is arguable that the question is now more relevant than ever in the context of Southern Africa as a whole.

Sir Harold Wilson has chosen to see the matter on an altogether narrower level. He says that he did not know of the existence of certain key documents. The Bingham Report, he suggests, is about the competence of officials and the behaviour of the oil majors. Even if one takes his statement at its face value, it is a devastating comment on the Wilson Government. One is asked to believe, for example, that Sir Michael Palliser, now the Permanent Under-Secretary at the Foreign Office but then advising the Prime Minister in Downing Street, did not realise the significance of official memos outlining the way sanctions were being evaded. And if Sir Harold himself did not know what was going on, it is absolutely clear that some of his senior Ministers were fully informed. Quite apart from the now Lord Thomson, Mr. Michael Stewart — at one time the number three in the pecking order — openly admitted as much in his contribution to the debate on Tuesday. All of which makes the Wilson Government look even more peculiar.

In these circumstances, it is not surprising that there should be a demand for more information. For what the Bingham Report is really about in the broader context is the quality of government, and the quality of government has been very low.

Mr Edward Heath, by contrast, can be at least partially exonerated. He has the excuse, though he chose not to make it in his speech on Wednesday, that for much of his premiership his administration was engaged in seeking a Rhodesian settlement including the time-taking testing of Rhodesian opinion by the Pearce Commission. It was not therefore the most obvious period in which to consider cutting off oil supplies. In any case, the Tories have never made the claims for sanctions that have been made by Labour. Two points, however, are worth making. It was partly the fact that successive Conservative leaders have gone along with sanctions, even though they were not working, that contributed to the size of the Tory revolt on Wednesday night. Mr. Enoch Powell, who made one of his best-ever speeches in the sanctions debate, was clearly gloating over the Party's discomfort. The debate, as he said, was about how far we are honest with ourselves.

Secondly, when Mr. Heath went on in his statement to defend the doctrine of government confidentiality and to criticise the calls for the greater availability of official documents, he received the most vigorous nods of support from Mr. Michael Foot and Mr. James Callaghan. It is less than clear that that is a wholly desirable alliance, though it may be the epitome of the present conventional wisdom. One should not be surprised that some people —aware of the records of both Mr. Callaghan and Mr Heath— choose to rebel against it.

It is ironic that all this should have been happening at the same time as another dispute which also involved the distribution of official information, namely, the Sedgemore affair. Mr. Sedgemore was dismissed by the Prime Minister as Parliamentary Private Secretary to Mr. Anthony Wedgwood Benn, the Energy Secretary, for having had access to, and revealed that access to, a confidential Treasury document.

Get away

Again two points stand out. The first is that if the Treasury had concluded that British participation in the proposed European Monetary System would have certain painful economic effects on the country, there is every reason why it should say so. Alternatively, if it believed that these effects would be outbalanced by political gains or even by economic returns in the longer run, it could say that too. There would not even be any great harm in the Treasury saying that it had not yet made up its mind, or that it was divided, but here are the results of the studies so far. The problem arises when the Government refuses to divulge what information it has. A government that runs the country well may get away with it. It is much harder for a government that is open to the charge of being less than competent.

The second point lies in the manner of Mr. Sedgemore's departure. At first he refused to go and Mr. Wedgwood Benn refused to sack him. Mr. Callaghan then had to act directly. Mr. Benn responded by writing an open letter to Mr. Sedgemore more or less deploring the fact that he was going. Yet does the Prime Minister dare to sack Mr. Benn? Of course not. But nor does Mr. Benn himself resign on principle. That is what is meant by the challenge to authority. Authority does not assert itself, partly because it is on dubious grounds. At the same time, the tendency to rebel increases. Mr. Benn is winning the argument about open government hands down, but the danger is that he might win a great deal else besides.

It was very interesting to observe a similar phenomenon at what might turn out to be a much more important event than all this week's political excitements. That was the now annual conference of the Confederation of British Industry at Brighton. The origins of the conference seem to lie in the feeling that industry has no real voice in the country. There are the trades unions and there are the political parties, but somehow industry is under-represented (which may, of course, be a result of our social system — it is not the case, for example, in West Germany or the U.S.). Anyway, it seems to me an excellent idea that people like Sir Adrian Cadbury or Sir Hector Laing of United Biscuits should now have a forum in which to make a public contribution to the national debate.

Yet there is more to it than that. The conference is not entirely dissimilar to the party political conferences. It is shorter, better organised and the contributions are, on the whole, more rational. It is also probable that it is more revealing of the real world than anything that the political parties can stage. But one can detect too the same sort of tensions between the platform and the floor, between the establishment and the outsiders, as at any major political assembly.

Take, for example, the debate on industrial democracy. It was perfectly clear before the conference began that the platform resolution expressing lukewarm acceptance of limited back-up legislation for the Government's proposals was in danger of being overwhelmingly defeated. It was therefore decided to put up Lord Plowden — now the President of Tube Investments and a businessman of almost incomparable all-round experience — to speak from the floor with the idea of defusing the atmosphere and, in Labour Party terms, of having the motion referred back. Lord Plowden would much rather have spoken in favour of constitutional reform.

The plan was only partially successful. Certainly the atmosphere became calmer, but the conference was still against any form of legislation whatsoever and it was left to Lord Watkinson, a past President, to bow to what he called "gut feeling" and effectively withdraw the motion. It was as if the outside world had rebelled against the Establishment.

There were other instances. There was the delegate who suggested that the real pay norm should be nil and who wondered what would happen if secret ballots were used in the CBI. It is also worth noting that the conference voted by more than two to one in favour of proportional representation. Thus, in the end, one came away from Brighton with precisely the same thoughts as from the Tory and Labour conferences a month ago and from the debates in the House of Commons this week. Authority is being challenged and people will no longer think what the platform tells them to think. If necessary, they will challenge the basis of the information. There could be worse developments than that.

Malcolm Rutherford

Letters to the Editor

Debate on pay policy

From Professor B. Moore

Sir,—Samuel Brittan (Nov. 2) has called for an open debate on pay policy. I would like to oblige.

He states that it is not possible for wages to rise by 15 per cent, productivity by 3 per cent, and prices to rise by only 8 per cent for years at a time. Prices in most areas of the economy are determined as some mark-up over unit costs. In his example unit labour costs are rising at 12 per cent, the normal expected rate of inflation in his example. The average rate of price inflation will be approximately equal to the percentage that wage increases outstrip productivity gains. In order to have price stability, annual money wage increases must fall within 1 per cent of per cent, the rate of growth of labour productivity. It is no fallacy at all to argue that the way to get low inflation is to have low wage increases. The only point at issue is how to arrange this — either directly, by some form of incomes policy, or indirectly, through monetary and fiscal policy by reducing the rate of growth of money income.

There is now a broad consensus among economists that while higher unemployment slows wage inflation, its effect, in the past at least, has been modest in the extreme. It is precisely because these gains from resisting inflation through controlling demand and generating higher unemployment are so small, that most Governments have not persisted in holding to a policy of restricting the growth of their monetary aggregates. This is the sense in which public opinion is correct in its reference for pay controls.

Put in another way, Samuel Brittan's preferred monetarist solution to restricting wage inflation is extremely expensive, in terms of the unemployment and forgone output it entails. Granted, incomes policies are also inefficient and expensive. But they are the only two alternatives available to reduce inflation. It is silly to go on rejecting both because they are imperfect.

What is required is a comprehensive approach, using incomes policy, fiscal policy and monetary policy simultaneously on an integrated basis. The wage norms of incomes policy must be consistent both with the target monetary aggregates of monetary policy, and the public sector borrowing requirement of fiscal policy. The debate on incomes policy versus monetary policy is misposed. Both must be used. Properly viewed they are complementary rather than competitive means towards the same end — reducing the rate of wage inflation down to the rate of growth of average labour productivity.

Basil J. Moore,
(Professor of Economics,
Wesleyan University,
Middletown, Connecticut, USA),
100, Kensington Church Street, W8

Revolution awaited

From the General Director, the Institute of Economic Affairs

Sir,—I hope it is not too late to refer to your Lombard column (October 27) but I was temporarily overcome by the remarkable tribute to the Institute of Economic Affairs' by my old friend (alas, no relation) Anthony Harris. Yes, he actually wrote that "the IEA is now in the sad position of a revolutionary whose side has won" and suggested we turn to the more boring task of specifying detailed policies to implement our monetary and market teachings. (I am sending Mr. Harris a list of some studies we have already published on such issues.)

Perhaps he should pause before launching a national subscription to reward our final success, though remembering when the time comes that Cobden was awarded £40,000 at 1860 values for his propagation of free trade! Instead he should face the truth that not all readers of IEA papers are as forward as Lombard in discarding the post-war consensus of pseudo-Keynesian-welfare-state-collectivism.

Even if we ignore such incurable laggards as Mr. Heath, there are still the Augean stables of "new" Cambridge to be cleansed, as well as enclaves of error to be instructed in Smith Square (both sides), in Whitehall, Threadneedle Street, Dean Trench Street, and—dare I say— at Bracken House.

Ralph Harris,
2, Lord North Street, SW1.

Thirlmere and Haweswater

From Mr. R. Camplin.

Sir,—Your article on the new Kielder water reservoir (November 3) refers to the recreational facilities envisaged — fishing, dinghy sailing, canoeing, water skiing and a number of land-based activities.

This is wonderful and sharply contrasts with the "cordon sanitaire" thrown round lakes like Thirlmere and Haweswater by Manchester Corporation with friendly notices such as "drinking water—keep out." I suppose in fact less than 1 per cent is used for drinking and about 80 per cent for industrial cooling, which raises the issue of CHP (combined heat and power) discussed frequently in your columns these days.

Can nothing be done to return to lovers of the Lake District the right again to enjoy the recreational facilities of Thirlmere and Haweswater?

R. S. Camplin,
20, Riverside Road, Staines, Middlesex.

Proper scope of government

From Lord Croham

Sir,—I happen to agree with Peter Riddell (Lombard, November 3) that the British, far more than any other people, look to the Government to solve problems which are in practice outside the control of Ministers or officials. I believe that the proper scope of central government action is a subject worthy of serious and informed discussion. Such discussion, however, cannot get off the ground unless the respective responsibilities of the Government of the day and of its civil servants are clearly understood. Britain's rulers may be pessimistic, and the civil service may have a world-weary sense of *deja vu*. Both assertions can be debated. But it is not good enough simply to equate them; world-weariness of civil servants does not determine policy. (There may be occasions when it is the other way round, but that is a different story.)

No one would deny that successive governments have adopted an increasingly interventionist approach in recent decades—and the pressures on Ministers to "do something" and not stand idly by should not be underestimated. For instance, whenever anything goes wrong in their constituencies, even those MPs who are the most severe critics of government expenditure or of the numbers of civil servants, tend to jump up and demand that the Government should take some new powers or make some new regulations. History judges these matters more realistically: it is Nero who is blamed for fiddling while Rome burned, not his advisers.

Croham,
9, Manor Way, South Croydon, Surrey.

Productivity in coal

From the Leader, Greater London Council.

Sir, — We are all indebted to the chairman of the National Coal Board for the figures in his letter (November 3) on productivity in the mines.

I would, however, be happier if I did not have the sneaking suspicion that he was confusing production (or output) per man with productivity (or real-term unit costs).

If what he says is true, then the cost of producing coal this year must be 11 per cent lower in real terms than last year. Allowing for general inflation, there is therefore clearly scope for a minor reduction in the retail price: when may we expect it?

Horace Cutler,
County Hall, SE1.

New Zealand butter

From Mr. J. Towler

Sir,—I was surprised to read Mr. J. R. Owens' suggestion (November 7) that in order to secure a "good deal for our fishermen" Britain should "give up any attempt to import New Zealand butter after 1980."

No doubt Mr. Owens, as director-general of the Dairy Trade Federation, has a vested interest in this proposal. Even so I would have thought that, quite apart from the "kith and kin" argument, it would be totally wrong to discard a supplier of good, cheap, dairy produce in such a manner. Nor should we forget New Zealand's support in other areas, especially during 1914-18 and 1939-45.

It would indeed be sad if we were to throw away old, trusted friends in New Zealand (and elsewhere) just for the material benefit of our newer friends in Europe.

James Towler,
25, Moseley Wood Lane, Cookridge, Leeds.

Nuclear reactor in Battersea

From Mr. W. Thorneycroft.

Sir, — Your leader of November 7 identifies a central task of energy policy as being to convince the public that nuclear power is needed and is safe.

Many of us would love to be convinced that it is safe: after all, the alternatives pose more than enough environmental problems. Unfortunately, no amount of verbal assurances by the government or its technical advisers are likely to convince the public —the Bingham report has taught us how much faith to have in government assurances. If they do wish to convince us, then it will have to be a matter of actions, not words.

Up to now, these actions themselves simply add to our doubts: so long as nuclear reactors and waste treatment plants are spread around the rural periphery of the country (with, incidentally, no chance thereby of using the waste heat), we must remain highly suspicious. Especially when the Central Electricity Generating Board itself reports developments "enabling advanced gas-cooled reactor station sites to be considered on a virtually equal footing with conventional stations and thus affording greater flexibility in siting. . . . No figure is now prescribed for maximum population density."

There is a simple and obvious solution to the whole question of credibility. Now that Battersea power station in London has come to the end of its life, why not replace it with a nuclear reactor? If — and, I suggest, only if — the Government is prepared to do something practical like that, then we really ought to be convinced that the experts are certain of the safety aspect.

Perhaps we need an Austrian-style referendum to give us an opportunity to vote for a nuclear reactor at Battersea?

W. T. Thorneycroft,
Springbok, Duporth Bay, St. Austell, Cornwall.

Currency markets

From Messrs P. Franklin and A. Munro.

Sir,—Nicholas Colchester's belief (November 2) that greater information has been the cause of price volatility in the international currency markets, is due to a misunderstanding of the nature and requirements of a perfect market. Of course, Mr. Colchester is right in stating perfect information is a necessity for a perfect market, but he is not right to deduce that the "proliferation of 'instant information'" has been the root cause of price volatility in the international currency markets. He cannot deduce this because the theory of perfect competition he is implicitly using is a static theory in a certain world where, in the long-run, equilibrium and stability exist permanently. By contrast the world to which he is trying (invalidly) to apply the theory is uncertain and dynamic.

Mr. Colchester also needs to reconsider his understanding of perfect information. In its extreme formulation, perfect information and certainty are synonymous because the theory of perfect competition assumes a state wherein all sellers and all buyers determine equilibrium price on the basis of perfect certainty about both current and future demand and supplies of not only their goods, but also all relevant goods. In this extreme case of perfect knowledge, the rule of money as a medium of exchange becomes redundant and only its unit of account function remains. Of course, such information in practice—even for one economy! — is impossible to obtain, but if it were to exist an important implication is that it would impose a restriction of choice for future transactions clearly incompatible with a liberal economic system which responds to changes in consumption and production patterns. Indeed, it is *because* of the existence of imperfect information in the real world, that a monetary economy exists, and expectations, which have no role in the theory of perfect competition, become very important. Bluntly, there is no need for a cybernetic *monetary* economy: money markets' allocative role would be replaced by the cybernaut!

In reality money markets operate in an uncertain world and on the basis of imperfect information (and expectations) concerning participants' choice about current and future demands and supplies. If participants' choice is unclear or changeable because it reflects the underlying uncertainty about current and expected economic conditions, the markets will reflect this. Perfect information does not make prices volatile— quite the reverse! The Government's role can be viewed as a dampener or spring only to the extent that it provides the markets with a constraint on future economic conditions, and is evaluated by the markets on the basis of whether the government is able to achieve its aims.

Peter J. Franklin,
Alan Munro,
City of London Polytechnic,
Department of Economics and Banking,
School of Business Studies,
84, Moorgate, EC2.

Transferring pensions

From Mr. D. Shaw

Sir,—Simple solutions are not normally the stock in trade of actuaries so it is no wonder that Mr. McLeish (November 3) asks for guidance on the calculation of transfer values in order that an employee changing jobs does not lose credit for pensionable service. "Fair transfer values" based on age, years of pensionable service and salary earned during this service would not need to take account of whether a pension scheme gave 1/80th or 1/60th of final salary or whether or not it was contributory. The questions posed in Mr. McLeish's third paragraph are therefore irrelevant—if company A has no scheme there cannot be any transfer because we are only concerned with *pensionable* service.

The simple question remains: is it fair that a person who changes jobs should suffer a reduced pension, all other things being equal? Mr. Berman (October 30) has no sympathy with the job changer, blaming him for neglecting the long-term interest by, presumably, staying in the same job merely to protect his pension. Both Mr. Berman and Mr. McLeish seem to forget that transfers are not one-way traffic and that in the short and long term a company's transfers in will approximate to its transfers out.

Mr. McLeish seems to think that the public should be educated to accept unfairness, that is, that eight years' service should be logically treated as five in a new job. But black will not equal white in my book. Could anyone but an actuary understand a situation where, at the same time that Smith moves from company A to company B an identical person Jones moves from B to A to fill Smith's vacant chair. If salaries, ages and past service are identical each man would lose credit for pensionable service in the new scheme yet both schemes would receive the same contributions. Surely this is a nonsense which my original proposals would put right.

D. I. Shaw,
101, New London Road, Chelmsford, Essex.

Finding the money

From the Director of Information, Company Pensions Information Centre.

Sir,—In his article of November 4 about the pension problems of people who change jobs, Eric Short was rather critical of "the pensions industry" for devoting its time to problems other than this one.

I am sure people working in the pensions industry would be only too pleased to see higher pensions for job changers. Indeed the mechanism is already there to provide them. It is not through any shortcoming on the part of the pensions industry that the problem arises but because employers and employees have difficulty in finding the money to pay for these higher pensions.

Michael Brown,
Company Pensions Information Centre,
7 Old Park Lane, W1

Today's Events

GENERAL

Ministers and TUC leaders continue talks on prices and wages.

Mr. George Colley, Irish Finance Minister, meets Mr. Denis Healey, Chancellor of the Exchequer — discussions will include European Monetary System.

Dr. David Owen, Foreign Minister, speaks at Heywood and Royton Labour Party dinner.

At Vauxhall 4,000 skilled workers strike over pay differentials.

Lucas lodges an appeal to prevent the French Ferodo company taking control of its Ducellier subsidiary.

Mr Robert Strauss, U.S. Special Trade Representative, visits Bonn and Copenhagen to discuss multinational trade agreement.

Last day of Church of England General Synod, Church House, Westminster.

Newspaper design award lunch at Savoy Hotel.

Mrs. Shirley Williams, Education and Science Minister, attends Batley and Morley Labour Party dinner.

OFFICIAL STATISTICS

Building societies' receipts and loans for October.

PARLIAMENTARY BUSINESS

House of Commons: Public Lending Rights Bill, second reading.

COMPANY RESULTS

Final dividends: Wolsey-Hughes. Interim dividends: Ferguson Industrial Holdings, Fortnum and Mason, King and Shaxson. Interim figures: Capital Gearing Trust, Hammerson Property, Leaderflush (Holdings).

COMPANY MEETINGS

Bejam, Winchester House, 100, Old Broad Street EC, 12. Chambers and Fargus, 189 Wincolmlee, Hull, 12. Crellon, Winchester House, 100, Old Broad Street, EC, 12. Dalgety, Upper Grosvenor Square, W, 12.30. English Association of American Bond and Shareholders, 4, Fore Street, EC, 12. R. P. Martin, Great Eastern Hotel, EC, 11.30. Nolton, Savoy Hotel, WC, 11.30. Rivoli Cinemas, 15, Eldemont Street, WC, 4.

COMPANY NEWS

Staveley ahead midway: optimistic for year

PROFITS BEFORE tax of Staveley Industries improved from £4.81m to £5.43m in the half-year ended September 30, 1978, and Sir Harry Moore, the chairman expects a further increase in the second six months.

The interim dividend is stepped up from 4p to 4.5p and if present restraints are still in force, the directors expect to recommend a final of not less than 5.55p—the previous final was 5.1056p paid from pre-tax profits of £15.02m for the 78 weeks to April 1, 1978, or £10.01m annualised.

Sir Harry says the interim results are satisfactory confirming the group's increasing resilience and the ability to adjust to trading conditions, more difficult and depressing than expected.

	26 wks. 1978 £000	27 wks. 1977 £000
Sales	60,685	60,668
Trading profit	5,856	5,218
Interest charges	438	407
Profit before tax	5,428	4,811
Tax	1,411	757
Net profit	4,017	4,054
Minorities	281	342
Attributable	3,736	3,712

The chairman says Salter, the electrical and mechanical services group and North America have in general been performing in line with expectations and internal forecasts; in other groups some changes have taken place as a result of market developments.

Mineral Products group may achieve or even surpass last year's annualised figures, helped by the continued turnround at Staveley Lime Products.

On the other hand, the downturn in the markets served by the foundry products and abrasives group is making it increasingly doubtful whether the group will achieve results as good as last year's.

The group's product range is competitive, manufacturing ability is steadily improving, and the directors expect total profits for the machine tools and engineering group to exceed those of last year.

There are, however, increasing instances of the placing of orders being delayed and this factor, coupled with the dearth of new orders, has led to a material increase in stock building, the chairman says.

The group's finances continue to be sound and in good balance. There has been an increase in borrowings, reflecting the combined impact of the acquisition of Electroscale Corporation, the build-up of stocks in a number of operational areas and the much heavier capital investment programme.

"We have adequate resources available to meet our future requirements, including possible future acquisitions," Sir Harry says.

Sir Harry Moore, chairman of Staveley Industries

● comment

Like many others in the engineering sector, Staveley Industries is praying for some recovery. The company is, however, by no means on its knees and by marking the shares 3p lower to 273p last night the market was probably displaying its disappointment at the cautious dividend statement. This seems somewhat misguided since the company intends to pay what it can under present restrictions. Meanwhile, a modest 13 per cent rise in taxable profits, given poor demand in most areas, is not bad going. Capital spending in the last eight years has just about matched pre-tax profits and that has helped bolster margins this time. More importantly it has laid firm foundations for any future upturn in demand. Judging by these figures and expectations for the full year, that happy prospect is not in sight. The foundry and abrasive side, for example, is very depressed suffering from low grinding wheel orders and static pig iron prices. Machine tools will probably do slightly better than last year but order delays are inhibiting cash flow. On the bright side Salters is still gaining in strength, the new North American acquisition looks a good buy, and the lime subsidiary is now in the black working at only 40 per cent capacity. That in itself gives some idea of the group's potential although, given profits of £12m, the shares are only on an average rating standing on a fully taxed prospective p/e of 7.3 and a yield (assuming a 13 per cent increase) of 5.8 per cent.

£1.9m seen by Flight Refuelling

AN INCREASE from £1.48m to £1.87m in profits, before tax, is forecast by Flight Refuelling (Holdings) for 1978.

In the first half there is an advance of £275,000 to £985,000 and the directors feel that results for the second six months should equal or be slightly better than this.

Over the six years up to the end of 1975 profits had shown a steady rise from £314,000 to £596,000 and then accelerated to £977,000 in the following year.

In the first half of 1978 turnover rose from £4.98m to £5.77m. After tax of £495,000 (£350,000), the net profit emerges at £440,000 against £310,000.

The interim dividend is increased from 1.1p to 1.4p net per 25p share—the total for 1977 was 2.853p.

● comment

Although Flight Refuelling has turned in an impressive first-half gain of 42 per cent there are signs that the rate of growth is slowing. The forecast for the year implies a growth rate of 26 per cent which will be less than half the average rate of growth over the previous two years. Moreover the three points jump in first-half margins is slightly misleading because of the large nature of the company's contracts, which can easily bunch up over one short period. Nevertheless, the results bear out the chairman's statement in June that the upward trend is being maintained. The group makes high-technology equipment for the aircraft, nuclear and electronics industries, and the improvement has been felt in all divisions. At 162p the shares are on a p/e of 10 while the yield is 3 per cent—which suggests that the market remains confident in this company.

Bellway recovers to near £3.3m—reshape mooted

THE SPLITTING of the housebuilding and property interests of Bellway Holdings into two separate companies could follow on the heals of the sharp recovery in the group's taxable profit, from £139,000 to £3,271,000, now reported for the year to July 31, 1978.

The board is currently examining the feasibility of segregating the company's property investment and development interests from its housebuilding and associated activities by the creation of two holding companies. It is proposed that under such a scheme shareholders would receive proportionally in exchange for their existing shares, holdings in both the new concerns. The directors hope to make a further announcement about their plans at the annual meeting on January 19.

Good progress was made during 1977/78 in realising assets in France—where last year group losses climbed to £1.97m of which £1.7m was charged against pre-tax surplus—but sales of some land there has been delayed.

Also negotiations are in hand to dispose of the company's remaining assets in Australia. Overhead commitments have, therefore, continued but at a very much reduced level.

UK housebuilding operations, on the other hand, made a substantial contribution to the latest figures and justify their policy of expansion into new areas the directors comment.

Turnover for the year was up £2.26m at £32.85m and profit included rental and other investment income of £1.19m, against £1.01m.

After tax of £1,782,000 (£1,008,000) there were earnings per 25p share of 6.2p, compared with losses of 3.4p. A net final dividend of 1.515p lifts the total to 2.913p (2.61p).

Terminal losses of the French subsidiaries resulting from a shortfall in the timing of sales, after tax relief of £90,000 (nil), were treated as an extraordinary loss of £15,000 (£272,000). This was partly offset by a gain on realising investment properties, after tax of £6,000 (£15,000), amounting to £12,000 (£37,000).

	1977-78 £000	1976-77 £000
Turnover	32,852	30,390
Trading profit	3,193	271
Rental & other invest. inc.	1,193	1,009
Share of assocs.	15	16
Interest	1,135	1,156
Pre-tax profit	3,271	139
Tax	1,772	1,098
Net profit	1,499	†569
Extraord. loss	7	235
Attributable	1,436	†1,184
Dividends	715	648
Retained	731	†1,732

† Loss.

● comment

With its disastrous French operation out of the way—or almost: there are still troublesome ends to be cleared up at Le Touquet—Bellway has made the expected return to profit. But the housebuilding side, Bellway's traditional strength, is putting in a solid, rather than exciting performance, with around 1,600 houses built last year and only marginal profit improvement. Further growth may principally come from forward sales of commercial properties to be built in Scotland and the North-East. Borrowings are down by around £4m, partly through a reduction in stocks which has led to a claw-back of deferred tax and put the tax charge up to 54 per cent. The proposal to split Bellway into a housebuilding company and a property company is an attempt to raise the market capitalisation nearer to the group's net asset value, although it would also give two years of dividend freedom; a property revaluation is imminent. The company believes itself worth £30m but the shares at 70p capitalise it at £17.8m, trading on a p/e of 11 and a yield of 6.4 per cent.

INDEX TO COMPANY HIGHLIGHTS

Ship sales boost Common Bros. to over £2m profit

BOOSTED BY a surplus on sale of ships amounting to £2.55m compared with £0.11m, Common Brothers reports a turnround from a pre-tax deficit of £0.56m to profits of £2.08m for the year ended June 30, 1978.

With a reduction in borrowing following the sales of MV Hindustan and MV A. C. Crosbie, the group is in a much stronger financial position than a year ago, say the directors.

After a tax charge of £698,000 (£276,000 credit), minorities and extraordinary debits, available profits emerged at £1.3m against a £0.43m deficit last time.

A final dividend of 4.5232p net raises the total payment for the year from 5.8109p to the maximum permitted 6.3232p net per 50p share.

Commenting on operational results, the directors state that the two RO/RO vessels have contributed very satisfactorily towards the results from shipowning, though the remaining dry cargo vessel and two of the three products tankers did not cover running costs.

On ancillary services, they report insurance broking increased its contribution to profitability, and ship management also performed satisfactorily.

	1977-78 £000	1976-77 £000
Trading profit	231	580
Associates' losses	55	130
Interest	599	873
Sale of ships surplus	2,552	106
Special charges, provisions	10	137
Pre-delivery interest*	65	99
Profit before tax	2,076	†564
Tax charge	698	‡276
Net profit	1,378	†288
To minorities	14	11
Extraordinary debits	65	128
Available profit	1,299	†427

* On ships under construction. † Loss. ‡ Credit.

In its other service companies, wherever possible, loss-making was eliminated and, where appropriate, closing down costs were charged against the year's results.

● comment

Strip out the £2.6m surplus on ship sales and Common Brothers 1978 losses are not much different from last year. However, the ship sales have bolstered the group's liquidity and markedly improved its gearing so that it feels confident enough to increase its dividend by the maximum amount. At the moment the real interest in the shares lies in the possibility of a take-over bid. Mr. G. A. Common, who already holds 11 per cent, tried to buy another 16 per cent from a subsidiary of British and Commonwealth Shipping last month. The latter has made no secret of its willingness to sell its shares at a price but apparently Mr. Common's offer of around 150p per share was not high enough. Last year the directors of Common Brothers stated that while the net asset value of the shares was 162p their true value was of the order of 360p. The current net asset value of the company is believed to be around £2 per share. At 160p the shares yield 6.1 per cent.

Ash Spinning begins pick-up

A SHARP recovery from £11,293 to £178,682 in pre-tax profit is reported by the Ash Spinning Co. for the six months ended September 23, 1978. In 1977-78, profits totalled £86,000 against £90,000 in the previous year and a record £245,000 in 1975-76.

Earnings per share, including exceptional credits, for the first half are shown at 11.18p (1.48p). The interim dividend is stepped up from 1p to 1.5p and there is also an extra payment of 0.0515p following the reduction in tax.

This rise should not be taken as indicating an increase for the year, the directors say. The final last year was 3.445p.

The multi-fibre arrangement for textiles which came into operation in January this year has been very slow in adapting itself to the many complications and some countries have been dilatory in conforming to its requirements, the directors say.

Nevertheless, the figures now reported show an acceptable level of profitability bearing in mind the fact that the group's entitlement to temporary employment subsidy ceased very early in the period.

Present management figures are encouraging and subject to unforeseen circumstances the group is geared to profitable trading for the remainder of 1978-79.

Futura loss in first half

FOR THE 27 weeks ended July 8, 1978, losses of £20,408 were incurred by Futura Holdings, footwear maker and distributor, against a £22,355 deficit in the same period last year.

For the current year, the directors say that with reduced turnover, but increased efficiency resulting from consolidation, they expect that despite closing down losses, the trading profit will be similar to 1977. Last year, the group reported a profit before tax of £173,000.

Sales for the 27 weeks amounted to £1.51m against £1.87m. There is a tax credit of £10,612 (£11,625).

The interim dividend is again 1.05p—last year's final was 1.4p.

The planned consolidation of group production has been completed, with the closure of "Stitch Down." Closing down losses and redundancy payments were incurred, and the branch factory which was no longer required has been sold with a resulting small capital profit.

Leisure footwear production has continued to be seriously affected by low priced Far Eastern imports.

Sphere Trust earns £0.63m at halfway

For the half-year to September 30, 1978, after tax revenue of Sphere Investment Trust amounted to £634,139 against £514,962 in the same period last year.

Gross income stood at £1,272,123 (£1,012,903) and tax took £350,988 (£291,962).

However, the directors say half-yearly results are not comparable because of the U.S.$6m loan raised in June, 1977.

They explain that last year's figures included only a minimal amount of income from the investments made with the proceeds of the loan and only one quarter's interest on it—1978 figures include a full half-year's income and interest.

The interim dividend is stepped up from 1.45p to 1.65p net per 25p share—last year's final was 1.85p from £1.1m revenue.

Directors point out that the normal practice has been followed of recommending an interim payment at half the previous year's annual rate.

William Leech up 46%

A SUBSTANTIAL increase in reservations and legal completions is reflected in a 46 per cent jump in taxable profit from £721,000 to £1,051,000 at William Leech (Builders) in the half year to the end of August 1978. Turnover was up £5.81m at £15.2m.

Announcing his retirement as from November 30, Mr. J. Adamson, the chairman comments that the successful rights issue in July has given the group further capital to continue its growth. Last year profit was down from a record £2.78m to £2.2m.

A change in accounting policy on deferred tax meant that there was no tax charge for the half year this time or, when restated, for the first half of 1977/78. This left earnings per 20p share ahead from 3.82p to 8.28p. It is anticipated that the tax charge for the full year will continue to consist of ACT arising on the year's dividends, the directors say. For the previous year the charge was £410,000.

The net interim dividend is raised to 3p (2.5p) and costs £450,000. A total payment for the current 12 months of 6.84p (6p) was forecast at the time of the rights issue.

ISSUE NEWS AND COMMENT

Kitchen Queen makes debut

THE PROSPECTUS is published today for the offer for sale by furniture manufacturer and retailer, Kitchen Queen, which will raise £1.97m for existing shareholders.

Manchester brokers Halliday Simpson have arranged an offer of 6,812,500 ordinary 10p shares —27 per cent of the equity—at a price of 29p each. On that basis the overall market capitalisation is around £7¼m while the forecast yield is 8.6 per cent the p/e 4.6, or 8.4 fully taxed, and net tangible assets are 14.8p per share.

Mr. Neville Johnson, chairman, founded the business in 1965 by selling kitchen units from a small rented garage and a capital base of a couple of hundred pounds. Now the company operates from three major sites in Manchester, Leeds and Coventry.

The range of furniture has been extended into bedrooms, living rooms and dining rooms but kitchen furniture still predominates.

In May 1973 Mr. Johnson sold half the company to the quoted Cranleigh group for £525,000. Two years later I bought it back at a price of £350,000 and in May 1976 Industrial and Commercial Finance Corporation acquired 10.78 per cent of the capital for £300,000.

Kitchen Queen first took a stake in Di Lusso, a manufacturer of "knock down" furniture, in 1973. About 9 per cent of Di Lusso's production is sold through Kitchen Queen retail outlets. Manufacturing is by far the largest element in terms of profits and sales.

Sales have expanded from £3.04m in the 16 months ended August 1973 to £15.09m last year. Meantime pre-tax profits have increased from £368,000 to £1.46m.

For the current year the directors are forecasting pre-tax profits of £1.8m from sales of £19.7m. Earnings per share fully taxed are 3.4p covering the dividend 2.1 times or 6.3p, on the expected 12 per cent tax charge, covering the dividend 3.8 times.

The balance sheet shows net short-term debt of £1.87m and shareholders' funds of £3.71m.

● comment

Kitchen Queen has made fast headway though it is not immune from the downturns in the furniture market. When demand fell away in 1977 the company went all out for volume by trading down and despite the dramatic drop in the market sales rose 40 per cent. Profits were harder to hold and after a temporary employment subsidy profits slipped 18 per cent. Oddly enough, sales growth looks very slow during the last 12 months but profit margins have been repaired. Long term the recent move into manufacturing "own brand" furniture for the retailers has promising prospects while specialist "small shop" kitchen furniture retailing and fitting is something the company is excited about—but that is only just getting off the ground.

There has only been a handful of new issues this year and these have shown that once applications start rolling in they have a way of snowballing. There could be a strong local following though on the fundamentals—and Kitchen Queen is 70 per cent a furniture manufacturer—the shares are not particularly cheap relative to other manufacturers but even so a small premium looks possible.

Prospectus, Pages 27-29

TIME PRODUCTS

Time Products' recent rights issue has been accepted in respect of 1,307,302 ordinary shares representing 97.35 per cent of the issue.

ADDA INTL.

Shareholders in Adda International have approved the change of name to Comfort Hotels International.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Allnatt London	int.	1	Jan. 2	1	—	4.3
Ash Spinning	int.	1.55‡	Nov 29	1	—	4.45
Bellway		1.52	—	1.32	2.92	2.61
Brit.-Borneo Petrol.	int.	2.51	Dec. 15	2.28	—	6.243
British Industries & Gen.		2.3	Dec. 22	2.35	3.8	3.4
Common Bros.		4.52	Dec. 15	3.81	6.52	5.81
Fairdale Textiles	int.	0.33	—	0.3	—	1.16
Flight Refuelling	int.	1.4	Dec. 13	1.1	—	2.85
Futura	int.	1.05	Jan. 17	1.05	—	2.45
Higsons Brewery		2.1	—	1.88*	2.5	2.25*
Majedie Invest.		0.75	Dec. 14	0.68	0.75	0.68
Manganese Bronze		2.1	—	1.88	2.1	1.88
Nthn. Securities	int.	1	Dec. 15	1	—	3.45
Porter Chadburn	int.	1.62	Jan. 5	1.45	—	5.27
RCF Holdings		1.85†	Jan. 3	1.85	2.73	2.73
Sphere Inv. Trust	int.	1.65	Dec. 4	1.45	—	3.3
Staveley	int.	4.5	Jan. 2	4	—¶	9.1
West Brom. Spring	int.	0.29	—	0.26*	—	0.97*
William Leech	int.	3†	Dec. 22	2.5	—	6
Wood Hall Trust		5.41	—	4.84	5.41	4.84

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes extra 0.0515p following change in tax rate. § Plus additional 0.068p for 1977-78. ¶ Not less than 5.55p final expected.

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Porter Chadburn falls to £0.43m at halfway

MARGINS UNDER pressure and no scope for price increases depressed taxable profit at Porter Chadburn in the half year to July 8, 1978, from £581,700 to £433,600.

Sales by the group, which makes brewery and marine engineering equipment, cranes, etc., were up by some 11 per cent at £7.06m. However, this increase was related to activities associated with new products with their inevitably low initial profitability, the directors explain. In other areas margins were under severe pressure at a time when general demand for the engineering and plastic film industries products would not permit commensurate price rises.

Profit in the second half is expected to exceed that for the first six months, in line with the group's usual trading pattern, but difficult wage negotiations will continue, plant by plant, until the end of the year and it is unlikely that the full time surplus will reach the level achieved last year when taxable earnings were a record £1.28m.

The net interim dividend is raised to 1.6214p (1.452p) per 20p share and costs £52,443 (£46,964)—the final last time was 3.81876p.

The net balance emerged lower at £208,100, compared with £260,600, after tax of £225,500 (£232,100).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Ferguson Industrial, Fortnum and Mason, King and Shaxson.

Finals: C. H. Beazer, Briglray, GR Holdings, Leopold Joseph, Tricoville, Wolseley-Hughes.

FUTURE DATES

Interims:—

Commercial Bk. of the Near East	Nov. 14
Cope Sportswear	Nov. 13
Keyser Ullmann	Nov. 15

Finals:—

Australia & New Zealand Banking	Nov. 20
Peachey Property	Nov. 15
Radley Fashion	Nov. 17

£1.7m for Higsons Brewery

AFTER TAKING into account additional depreciation of £169,605 due to a revaluation, profits, before tax, of Higsons Brewery of Liverpool showed a fall from £1.82m to £1.69 in the year ended September 29, 1978.

Turnover improved from £18.09m to £19.78m and profits at the trading level came out at £1.74m against £1.69m.

After tax of £860,000 (£931,000) earnings per 25p share emerge at 8.16p (8.8p). The final dividend is 2.1p effectively raising the total from 2.25p to 2.5p net.

A revaluation of fixed assets threw up a surplus of £7.96m over book.

Fairdale Textiles advance

In the half-year ended July 29, 1978, Fairdale Textiles has increased its profit from £166,090 to £202,145, from turnover £0.5m higher at £2.99m.

After tax £105,000 (£86,300) net profit came out at £97,145 (£79,790), for earnings of 1.59p (1.3p) per 5p share.

The interim dividend is 0.33p net, against 0.3p. Total for 1977-78 was 1.16p paid from profits of £480,000.

The group is concerned principally with ladies' and gentlemen's outfitting trade from the purchasing of cloth to the manufacture of garments and their sale through retail outlets.

Herrburger Brooks sees better year

After a difficult year of higher sales but lower margins, the directors of Herrburger Brooks, Nottingham-based makers of piano actions, keys and hammers, are hoping that some improvement in economic conditions in the current year will produce improved trading results, says Mr. J. Campbell Ritchie, the chairman.

Since the close of the year part of the timber stocks were destroyed by a fire. This, however, has had no effect on current production and there will be no consequential financial loss.

Despite a satisfactory 30.6 per cent increase in sales in the export and the home markets, pre-tax profit fell from a record £254,458 to £200,136 for the year to May 31, 1978. The dividend is raised from 1p to a maximum 1.116606p a 25p share net.

The drop in profit margins was due to the economic conditions prevailing in both the UK and overseas. Additionally the improvement in the value of sterling against overseas currencies generally, and in particular against the Swedish kroner and the U.S. dollar, affected trading receipts.

A geographical analysis of sales shows: Europe £2m (£1.53m); North America £965,705 (£762,808); Australasia £41,857 (£8,701); Asia £77,746 (£13,309); South America £6,002 (£18,130); South Africa £2,903 (nil) and UK £1.05m (£844,368).

Source of funds fell in the year from £294,368 to £252,022 and application from £197,396 to £188,294 with the movement in new liquid funds down from £96,972 to £63,098.

Meeting, Long Eaton, Nottingham, November 27.

Northern Secs. earns less midway

Earnings per 25p share of Northern Securities Trust showed a reduction from 2.3p to 1.92p in the six months ended September 30, 1978.

Gross income was higher at £233,917 compared with £195,980 but after higher interest and expenses of £122,186 (£62,304) and taxation £39,339 (£47,959), the net balance comes out lower at £72,392 against £85,717.

The interim dividend is unchanged at 1p, costing £35,637—the total for the previous year was 3.45p paid from net revenue of £156,000.

Net asset value per share was 154p (152p at March 31, 1978).

Manganese held back by gun and silicon divisions

HELD BACK by reduced demand at BSA Guns and a sharp downturn by Caplin Engineering, profits of Manganese Bronze Holdings showed only a marginal increase from £2.65m to £2.73m in the year ended July 31, 1978.

At Caplin, which designs and manufactures plant used in the silicon chip making process, the leapfrogging in technical know-how between the company and competitors has produced a very cyclical trading picture. On this occasion the downswing in profits amounted to some £550,000.

However Caplin has now received substantial orders, mainly from Germany, which should trigger a new profitable trading cycle, reports the chairman.

At BSA Guns a world-wide reduction in demand coupled with a six-week strike combined to clip profits by £215,000. The downturn in these two units accounted for a 14 per cent fall in exports—group turnover in money terms at £32.7m showed a 6 per cent rise but in real terms this represented a small reduction.

For the rest of the group Mr. Dennis Poore, chairman, reports that the sintered products and metal powders group continued to advance, and, for the first time substantial contributions were made by both ferrous foundries. Alpax, a mainstay to cash flow, maintained its regularity: Carbodies had a good year while Birtley will not realise its full potential until house building returns to a normal level.

The chairman says that because of its unique volume requirements the motor industry constitutes the most important outlet for many group units. "Its health is therefore a matter of the greatest concern and the present disturbances mean a poor start to the current year."

Group profits were aided by a further reduction in interest charges from £715,294 to £507,529. Earnings per 25p share came through at 23.04p (23.3p).

The dividend is being raised by the maximum permitted—from 1.88364p to 2.1024p. The chairman says that since it is prudent to conserve cash resources to meet the loan repayment programme there is again an option to holders to take their entitlement in ordinary shares.

At July 31 group bank loans and overdrafts totalled £5.07m (£4.98m). The chairman says that the first payment, £250,000, of the Finance for Industry facility fell due after the date of the accounts and was met without difficulty from the better liquid position. This showed a further £531,000 improvement and was achieved after a 14 per cent increase in capital spending to nearly £1.6m.

The chairman stresses that the repayment schedule of the FFI loan over a seven-year period expiring in 1985 is a significant burden on cash flow and inevitably restricts the group's ability to invest for expansion.

Referring to Norton Villiers Triumph, Mr. Poore states that although significant further progress has been made by this company in establishing a new financial base it is considered premature to re-attribute any value to this investment until it has shown that it is possible to build a profitable on-going business within the limitation imposed under the Government subscription agreement of 1973.

● comment

Faced with a £550,000 profit setback in the Caplin silicon chip subsidiary plus worldwide overstocking of sporting guns and pressure on building products margins, Manganese Bronze did well to hold trading profits at around 1976-77's level. This basically reflects the casting and components subsidiaries, supplying consumer durable and motor vehicle manufacturers, which have turned in impressive profits growth. With the Ford dispute now nearly two months old the performance of these subsidiaries in the current year is likely to be hit despite attempts to minimise the impact of Britain's unsettled motor vehicle labour record by supplying continental manufacturers. However, the ferrous foundries, which provided first-time profit contributions in 1977-78 should cushion the blow somewhat and Caplin has won orders from Germany which could reverse last year's profit downturn. The shares closed at 64p yesterday giving a p/e of 2.8 and a yield of 4.9 per cent.

Majedie Invest. profits rise

Taking into account profits of £188,249 against £137,350 on the sale of investments, net profits of Majedie Investments amounted to £453,861 in the year ended September 30, 1978, against £342,054 previously.

In the first six months profits after tax had risen from £65,973 to £104,922.

The dividend is lifted from 0.67852p to 0.7467p absorbing £104,513 against £94,970. An amount of £349,348 (£247,084) is carried forward to revenue reserves.

Valuation of investments at September 30 was £11.53m (£7.31m) and net current assets, £582,842 against £255,192. Asset value per 10p share was 85.26p (54.08p).

Proposals were being considered in September whereby Majedie and five other rubber companies would be amalgamated under one holding company.

British-Borneo down

FOR THE half year ended September 30, 1978, profits before tax of British-Borneo Petroleum Syndicate were down from £470,547 to £436,124. In 1977-78, pre-tax profit amounted to £746,019.

The interim dividend is lifted from 2.28p to 2.508p and an additional payment of 0.068p will be paid in respect of last year. The final in 1977-78 was 4.463p.

In Western Canada, one well at Meekwap and two wells at Boundary Lake were drilled during the half year and abandoned. Further drilling in these areas under farm-out arrangements is under consideration.

	Half-year 1978 £	1977 £
Dividends and interest	278,637	245,295
Profit*	229,420	295,091
Admin. expenses	34,445	21,398
Eurocurrency interest	37,068	40,642
Exploration expenses	—	500
Profit before tax	436,124	470,547
Corporation tax	110,560	147,620
Tax‡	72,890	62,866
Net profit	252,374	259,051
Dividends	112,560	102,600
	Sept 30§ 1978	March 31 1978
Concessions at cost‡	253,991	176,176
Listed investments	3,546,001	4,007,543
Unlisted	52,073	52,073
Net current liabilities	26,147	129,424
Eurocurrency loans	1,011,690	1,073,537
Value listed invests.	10,009,637	9,434,706

* On realisation of investments, short-term interest and other income. † Franked investment income. ‡ Canadian oil and gas. § Unaudited.

RCF ahead 14.7% to £0.64m. despite export gloom

FOLLOWING AN advance from £73,000 to £120,000 at midway, RCF Holdings finished the July 31, 1978 year with taxable profits ahead 14.7 per cent from £556,643 to £638,563, on turnover up 18.7 per cent at £15.77m.

Mr. John Godfrey, the chairman, says that while an improvement in home trade was evident in the latter part of the year, the company's export order input has been and continues to be a cause for concern.

The improvement in home trade has been perpetuated into the opening months of the current year, and adequate stocks of the majority of the company's manufactured products is enabling it to take advantage of this upturn.

Export order input presents a somewhat gloomy picture, but with a few encouraging signs in selected markets particularly where specialised products are demanded, Mr. Godfrey adds.

Australasia, for many years its principal overseas market, has been experiencing economic difficulties in recent times, he says, as a result of which the company's total export turnover has suffered.

Some signs are now evident of a slight improvement in building and construction and consumer demand in the UK, the chairman states.

He says projections as to current year results must be of a cautious nature, but targets have been set to achieve further growth which the directors are confident will materialise from a gradual improvement in trade and an increase in market share for the company's products.

Trading profits for 1977-78 advanced from £550,253 to £650,481, before exceptional debits of £20,918 (£6,385 credits). After tax, net surplus was £502,096 against a restated £457,844.

In accordance with current accounting practice, provision has only been made for deferred tax payable in the foreseeable future, which has resulted in restated tax comparatives.

Stated earnings per 25p share fell from an adjusted 6.91p to 6.47p. On capital increased by last December's rights issue, the dividend total is maintained at 2.7225p net, with a final of 1.8475p (same).

Mr. Godfrey reports that the closure of the Crawley plant and the transfer of its manufacturing operations to Sheffield was completed during the year and the Crawley premises are now on the market.

Manufacturing results improved and the division is presently engaged in introducing up-to-date plant for the purpose of reducing costs of manufacture of the existing range and to add new products within a relatively short time.

The installation of improved data processing equipment was completed in the year and this will be operational in March, 1979. It is anticipated that the division will benefit from better techniques involved in costing, sales forecasting, production and stock control.

The directors anticipate that increasing activity in the construction industry will absorb surplus capacity that is available in some departments.

The company's South African subsidiary produced the best results in the course of its 10 years' trading, despite conditions having only recently shown improvement in that country, the chairman comments.

The wholesaling division again produced good results, while RCF Tools (SW) is now operating fully in line with the financial projections made prior to the establishment of this company.

Various new marketing concepts within the division are already producing a valuable contribution to its results.

BANK RETURN

	Wednesday Nov. 8 1978	Inc. (+) or Dec. (−) for week
BANKING DEPARTMENT		
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	21,348,581	+ 193,860
Special Deposits	1,062,240,000	—
Bankers	405,739,689	− 95,415,221
Reserves & Other Accts	730,210,754	+ 47,342,566
	2,234,592,224	− 47,781,796
ASSETS		
Govt. Securities	1,847,471,083	− 53,065,000
Advances & Other Accts	200,851,370	− 4,272,525
Premises, Equip't & other Secs	168,618,738	+ 30,896
Notes	17,518,797	+ 9,484,737
Coin	232,251	− 35,124
	2,234,592,224	− 47,781,796
ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes Issued	8,600,000,000	+ 50,000,000
In Circulation	8,582,481,203	+ 40,515,263
In Bank's Dept	17,518,797	+ 9,484,737
ASSETS		
Govt. Debt	11,015,100	—
Other Govt. Secs	7,554,952,449	+ 68,389,715
Other Securities	1,034,032,451	− 18,389,715
	8,600,000,000	+ 50,000,000

Marler sees dividend soon

A RETURN to the dividend lists by 1979-80 was forecast by Mr. Leslie Marler, retiring chairman of Marler Estates, at the annual meeting yesterday.

The property group, which was the subject of a complicated take-over bid in June, had a revenue deficit of £2,448 for the year to March after a £22,157 transfer from capital reserves.

Yesterday, Mr. Marler said the deficit should be reduced in the current year and the following year "should benefit from additional lettings and rent reviews." After a meeting a director confirmed that lettings recently achieved on Marler House in Bournemouth meant that the property was now breaking even. This alone could mean a £50,000 boost to net property income in the current year.

Mr. Marler also outlined two recent property sales which had raised £354,000. They were Selsdown Road, Poole, a 1.6 acre site with planning permission for housing, and 37 Upper Grosvenor Street, a short leasehold property. The book value of the two was £140,000.

The proceeds would be spent on reducing overdrafts and in new acquisitions costing £300,000. The two specific projects now underway were a £230,000 block in Covent Garden with redevelopment potential for offices, shops, a restaurant and flats (the flats would be sold to Camden Council), and a development site for 15,000 square feet of offices next to the company's existing development in London Road, Wembley.

Two further properties in Cheshire and Newport would also be sold. Negotiations were advanced and three development and refurbishment opportunities would be purchased in the near future.

Mr. Marler also explained that following Blade Investments' bid earlier this year when Blade bought 30 per cent of the equity from Marler family interests and then retained only 18.9 per cent, Blade had said it intended to keep between 30 and 40 per cent of the company's shares.

Now, having bought a further 37.6 per cent of the shares from the family, Blade says it intends to retain "at least 40 per cent."

Shareholders refrained from asking any questions about the reconstitution of the board after the Blade move and no queries were raised about the accounts.

Allnatt London over £1·9m

AND ADVANCE of £437,400 in taxable profit to £1,960,300 in the half-year to the end of September, 1978, continued progress at Allnatt London Properties where last time the full year surplus climbed to a record £3.47m.

However, because of the incidence of rent reviews and variable rates of interest receivable, the first half is not necessarily a true guide to the results for 1978-79, the directors stress.

At half-time, the company benefited from interest payments maintained at £667,300 (£673,200) while net rents and other income improved from £2,374,000 to £2,799,100.

The net interim dividend per 25p share is held at 1p which, after waivers, will cost £152,473 (£163,300). Mr. L. H. Smith, the chairman, and Mr. R. W. Diggens, a director, have waived all rights to receive, by way of dividend for the current year, any gross amount in excess of 5 per cent and 1 per cent, respectively, on their holdings. Last year's final payment was 3.3p.

BIDS AND DEALS

Tarmac negotiating sale of Nigerian offshoot

BY ANDREW TAYLOR

Tarmac is selling to a Middle East consortium its 60 per cent stake in its loss-making Nigerian subsidiary, which is at the centre of a legal wrangle between Tarmac and Drake and Scull.

The group has also been looking at some of its other overseas interests and is thought to have found a possible purchaser for parts of its troubled Tarmac Bau, West German subsidiary which the group says has been making heavy losses.

Meanwhile, there is to be a further management shift within the parent group. Mr. Gerard Paris said yesterday that he is to resign as the group's finance director to take up a new main board appointment with Tarmac in the New Year.

Tarmac acquired its holding in Cubitt Nigeria when it bought Holland Hannen and Cubitts from Drake and Scull in a £5.3m deal in 1976. Earlier this year Tarmac announced it was increasing provisions against losses from Cubitts Nigeria from £12m to £16m.

These are largely against two major contracts: at Maiduguri Airport and a larger £33m contract for a teachers' training college at Yola. The two groups are currently involved in litigation over the question of whether warranties int he sale agreement cover the Nigerian losses.

Tarmac said yesterday that agreement had been reached in principle with the Middle East consortium but a number of conditions had to be met before the deal could be finalised—perhaps by the end of this year. A sale was not likely to influence the legal dispute with Drake and Soull, said a spokesman.

Part of the agreement with the consortium—which is thought to have strong Lebanese connections as well as construction experience in West Africa—is that Tarmac will act as management contractors for the new owners, in return for a fee.

The group stressed that it had no intention of pulling completely out of Nigeria. The Yola contract is still a long way from being completed although work at Maiduguri should be completed shortly. In addition the Nigerian subsidiary also recently acquired two telecommunications contracts worth around £11m.

Tarmac declined to reveal a likely price but Mr. Paris said that because of losses Cubitt Nigeria had a deficit on net assets. He said that the likely outcome would be that Tarmac would be able to reduce its borrowings—totalling almost £58m in its last balance sheet—by a few million pounds.

He added that the £16m provision against losses was perfectly adequate and might eventually prove to be too high. Mr. Paris said of his impending resignation that he had been Tarmac's finance director for 11 years and felt that it would be helpful to have a change. He would remain a main board executive.

Meanwhile, Tarmac says that the Middle East consortium has agreed with the Nigerian Government that it will reduce its stake in Cubitts Nigeria to 40 per cent once the sale is concluded. This is required under the country's Nigerianisation programme.

The shares in Cubitts Nigeria are owned by Tarmac's wholly owned Cubitts International subsidiary, which also owns other minor construction interests in Africa. These other interests may also be purchased by the Middle East consortium.

Tarmac's share price rose 5p yesterday to 140p having touched 147p at one point.

MONOTYPE HOLDINGS

Further details have been released of the shareholdings in Monotype Holdings, the company set up by the National Enterprise Board and Barclays Bank to rescue the Monotype Corporation.

Barclays and the NEB each hold 37.5 per cent of the equity. Two directors, Dr. Peter White (chairman) and Professor Brian Gaines (technical director) will have 10 per cent apiece. The remaining 5 per cent will be held by stockbrokers Laurie Millbank.

Among four non-executive directors appointed to the Board are two senior members of the NEB's staff. They are Mr. John Speirs, who is an NEB divisional director, and Mr. Roger Walton, a deputy divisional director. The others are Mr. Leslie Allen, an assistant director of Barclays Merchant Bank, and Mr. Christopher Brockbank, head of Barclay's corporate business department.

Cedar suspended on bid approach

Secondary banking group Cedar Holdings has received an approach which could lead to a cash offer from an as yet unnamed financial group. Cedar is hoping to make an announcement next week.

Dealings in the group's securities were suspended yesterday by the Stock Exchange at the company's request. For the last eighteen months or so dealings in Cedar, an early casualty in the secondary banking crisis, have been conducted on a limited basis under Rule 163 (2), whereby specific bargains could be arranged through stockbrokers.

The unnamed group could be an overseas financial company with a broad spread of financial interests. It approached Cedar two days ago. Cedar's chairman Mr. Simon Coorsh said yesterday: "I was not looking for anyone. They approached us."

Cedar was rescued from the secondary banking crisis by its bankers, together with four major institutions (Phoenix Assurance, the Unilever Pension Fund, the Electricity Supply Pension Fund and the National Coal Board Pension Fund).

In the group's last accounts the Electricity Pension Fund holds 20.6 per cent of the ordinary shares and 24.2 per cent of the preference; the Coal Board Pension Fund 17.8 per cent and 22.4 per cent respectively; Phoenix Assurance 10.9 per cent and 12.6 per cent; and Unilever Superannuation 10.1 per cent and 11.7 per cent.

During its last financial year Cedar repaid support funds to the institutions totalling nearly £4.9m. The outstanding balance is now somewhat less than £2m having been reduced from a high of £36.5m.

As a result of the rescue by the institutions there is £1.4m of ordinary capital in issue and £7.8m of preference.

HOGG ROBINSON BUYS STAKE IN AMERICAN BROKER

In a move to formalise its links with the American market insurance broker Hogg Robinson Group is buying a 30 per cent shareholding for $2.5m (£1.3m) in Markel Service Incorporated of Richmond, Virginia.

Markel Service is a wholesale speciality broker, specialising in motor carrier and other commercial property and casualty risks. It operates 45 branch offices throughout the U.S., with locations ranging from Boston to San Francisco.

Pre-tax profits to December 31, 1978, are anticipated to be about $1.2m on turnover of $18m. The value of stockholders' equity, excluding preferred stock at par value, stood in the last balance sheet at $3.1m.

Big increase for Benjamin Priest

Benjamin Priest, the industrial fasteners company which is bidding for Warne Wright and Rowland, has released both its interim profit figures and its formal offer for Warne.

As foreshadowed in the last accounts, Priest's profits have risen dramatically in the first half to £948,000 compared with £550,000 last time. Turnover is up to £9.8m from £6.1m. The previous period, however, preceded the acquisition of R. and A. G. Crosland. If this contribution is excluded, turnover rose by 15.8 per cent and profits by 16.5 per cent.

The interim dividend has been increased to 1.474p.

Warne, on the other hand, has taken the opportunity of the offer document to warn that the forecast of maintained profits cannot now be met.

Industrial disputes at customers' plants, one of which is in its eighth week, are having adverse effects on Warne, and profits for the year are now expected to be "of the order of £1.3m (£1.4m). "Even this depends on settlement of the disputes.

In recommending thet offer, Mr. J. B. Cecil-Wright, chairman of Warne, says that a merger of the two companies will result in a broader-based engineering group with better defensive strengths in the difficult trading conditions which currently prevail.

Interim Statement

At a meeting of the Court of Directors held on 7th November, the unaudited results for the six months ended 30th September, 1978 were considered. Based on historical accounting methods the Group profit before taxation shows, at £20.8 million, an increase of £0.4 million as compared with the corresponding half-year ended 30th September, 1977 and a decrease of £1.6 million when compared with the half-year ended 31st March, 1978. The results include the profits of British Credit Trust Limited for a period of six weeks.

The Court of Directors has decided to declare an interim dividend of 6.5p per £1 unit of Capital Stock as enlarged by the issue of £3.4 million in May in respect of the acquisition of British Credit Trust Limited and also by £3.3 million on the conversion of Loan Stock. The interim dividend will be paid on or after the 18th December, 1978 to stockholders whose names appear on the register at close of business on 14th November, 1978.

Trading during the half-year showed some material differences from past patterns. The unexpectedly large demand for credit was not accompanied by a corresponding growth in resources and necessitated recourse to rediscounting facilities at The Central Bank. The arrangements for an increase in staff remuneration in a single amount early in the year rather than by phased increases during the year as occurred previously, meant that staff costs rose more, in relative terms, in the first half-year than they will in the second half-year.

For these reasons the pattern of half-yearly profit is changed and the results for the second half-year are expected, by comparison, to show a considerable improvement. But until the precise outcome of current discussions amongst governments regarding the proposed European monetary system is known, it is not possible to foresee fully what new implications there may be for commercial banking operations and earnings in the remainder of the accounting year.

However it is the present view of the Court that results for the year as a whole will justify the payment of a final dividend at a rate at least equal to that paid last year.

LOWER BAGGOT STREET, DUBLIN 2
7th NOVEMBER, 1978

WILLIAM FINLAY
GOVERNOR.

Consolidated Profit and Loss Account for the six months ended 30th September, 1978 (unaudited)

	Six months ended 30 Sept. 78 £000	30 Sept. 77 £000	31 Mar. 78 £000
Operating Profit			
The Bank	16,962	17,362	18,392
Subsidiaries	3,870	3,048	4,050
Profit before Taxation	20,832	20,410	22,442
Taxation	7,939	7,768	9,258
Profit after Taxation	12,893	12,642	13,184
Minority interest in subsidiaries	172	154	152
Profit attributable to Stockholders of the Bank	12,721	12,488	13,032
Interim dividend of 6.5p	2,801 (5p)	1,733 (10p)	3,633
Retained Profit	9,920	10,755	9,399
Earnings per £1 of Capital Stock	(1)		
Basic	29.8p	36.0p	37.5p
Diluted	29.5p	33.0p	34.3p

NOTE: (1) The figures for the current half-year take account of the Capital Stock issued in connection with the purchase of British Credit Trust Limited in May, 1978 and the Loan Stock converted at 31st July, 1978.

Consolidated Statement of Condition as at 30th September, 1978 (unaudited)

	30 Sept. 78 £000	30 Sept. 77 £000	31 Mar. 78 £000
Stockholders' Funds*	163,433	123,395	137,705
Loan Stocks	9,515	16,563	16,533
Minority Interests	3,410	2,736	2,892
Deposit, Current and Other Accounts	2,153,684	1,737,761	1,947,001
Other Liabilities	59,917	43,756	48,040
	2,389,959	1,924,211	2,152,171
Liquid Assets	463,117	466,800	543,198
Investments	417,316	342,740	398,885
Advances to Customers	1,356,219	983,099	1,074,409
Items in Transit	64,650	67,386	61,812
Other Assets	88,657	64,186	73,867
	2,389,959	1,924,211	2,152,171
*of which Issued Capital	43,087	34,656	36,335

Bank of Ireland

Wood Hall Trust well on target with £4.87m.

COMPARED WITH the mid-year forecast of around £4.75m, pre-tax profits of Wood Hall Trust emerged at £4.87m for the year to June 30, 1978, compared with £6.31m last time which was before deducting trading losses of £2.29m from two discontinued operations of Wood Hall Ltd, Australia.

Turnover was down at £401.52m (£460.03m including £6.25m from discontinued operations) and trading profits from continuing operations were £4.13m (£5.31m) before associates' contributions £0.25m lower at £0.75m.

At halfway, when reporting slightly lower taxable profits of £1.98m (£2.08m), the directors said that extraordinary credits, then at £1.35m, would be increased to over £1.75m for the full year, mainly by realisations from Wood Hall Ltd.

In the event, extraordinary profits emerged at £1.37m (£1.56m), while the available surplus improved some £1m to £3.85m, after a £1.66m loss last time from Wood Hall Ltd.

The available result was also struck after tax of £1.99m (£2.78m), and pre-acquisition profits and minorities amounting to £0.59m (same).

Stated earnings on continuing operations were lower at 9.1p (11.8p) per 25p share, although including discontinued operations, the comparative was reduced to 5p.

The dividend is raised from 4.841p to the maximum permitted 5.405p net, absorbing £1.33m (£1.19m), and leaving retained profits of £2.48m (£1.59m).

The auditors report upon the company's accounts contains two qualifications. First, they say they are unable to satisfy themselves as to whether or not any material provisions are required against the debts owing by and value of investments in Stronghold (Nigeria) (40 per cent-owned), totalling £2.63m.

This is necessitated in that there has been a substantial delay in the settlement of trade bills. Through unilateral action taken by the controlling (60 per cent) Nigerian shareholder at end June, 1978 the group ceased to have any significant influence over the policies or management of Stronghold, which thereby ceased to be an associate.

Although the directors cannot be assured as to the time of settlement of the outstanding debt or the possibility of remittance of dividend, they do not consider that provision against the outstanding debt or investment would be appropriate.

Also, the auditors make a qualification, similar to the two previous years, and following that made in the reports upon the accounts of Wood Hall Limited.

They state that until the issues involved in the claims and cross-claims made by and against Wood Hall Limited under a major completed pipeline contract have been resolved, by litigation (pending) or negotiation, it is not possible to assess whether the claims ultimately satisfied will be greater or less than the unrecovered costs under that contract of, as at June 30, 1978, A$13.24m (£8.2m).

On Wednesday, the group sold its confectionery subsidiary, Bendicks (Mayfair) to Associated Biscuits Manufacturers for £1m.

Ordinary shareholders' funds at June 30 were £35.3m (£34.28m) equivalent to 143.9p (139.7p) per share.

Sime Darby: Turquand speaks out

BY JAMES BARTHOLOMEW

REMARKS MADE by Sime Darby Holdings last week were "highly defammatory," Turquand Youngs and Co. said yesterday, but they will not sue Sime at least until after the group's AGM on November 17.

"We are trying to reduce the temperature," said Mr. Dennis Garrett, senior partner of Turquand Barton Mayhew and Co., yesterday. He said that he wanted to bring back attention to the issue of whether Turquand will or will not be reappointed as auditors.

Mr. Garrett would not say whether his firm might issue a writ once the AGM was over. "If I said yes, then I might be accused of threatening, and if I said no, I might be accused of running away," he said.

In the course of an acrimonious row between Sime and the auditors the board wants to sack, Sime asserted last week it had a prima facie case against Turquand for negligence and breach of stautory duty with regard to the audit of the 1972 and possibly earlier accounts.

Mr. Garrett yesterday denied that Turquand had been negligent. He said he did not know on what the allegation was based. He rejected Sime's assertion that Turquand had been slow to uncover the misdemeanours of Mr. Dennis Pinder, a previous chairman of Sime.

Mr. Garrett said that the Singapore Society of Accountants was investigating certain aspects of Turquand's audit of a Singapore subsidiary. But this investigation was now limited to one partner of the firm, three specific payments and the question of whether the accounts of that subsidiary should have been qualified in 1970, 1971 and 1972.

Turquand said that the procedures of the Society are designed to avoid issues being pre-judged, "yet the Sime Darby chairman has suggested that this revelation should affect shareholders' confidence in Turquand."

Turquand is now proposing that a committee of five shareholders of Sime should be appointed by the President of the Malaysian Law Society to recommend which auditors should be appointed. In an open letter to the chairman, Turquand says this would enable the main question "to be isolated from the peripheral issues which have arisen between us."

This proposal would involve adjourning the AGM at the point where the auditor question is due to be resolved. The committee would be allowed to examine Turquand's files. "Turqaunds would expect the company to make its files on the same matters similarly available."

Turquand also suggested that the Board should appoint an audit committee of non-executive directors which would deal with the auditors on matters of principle, an increasingly common practice.

Sime Darby was yesterday considering Turquand's letter.

MINING NEWS

Inco: the importance of a little extra

BY KENNETH MARSTON, MINING EDITOR

THE GEARING effect of nickel and copper prices on earnings of Canada's Inco, the world's leading producer of nickel, was illustrated yesterday by Mr. Charles Baird, the company's president, at a London meeting of investment analysts organised by the Canadian broking firm Wood Gundy.

He pointed out that if the company's nickel sales had been 10 per cent higher in the first nine months of this year, earnings per share on an annual basis would have risen by 19 per cent. An increase of 5 per cent in the nickel price received would have raised earnings by 24 per cent.

If the average copper price received during the period had been 10 cents per pound higher, the annual earnings rate would have been 19 per cent better; current copper prices are, in fact, more than 10 cents above those realised in the first nine months.

The combined assumed extra prices for copper and nickel together with the higher rate of nickel sales would have lifted Inco's annual earnings rate by 59 cents per share, or 64 per cent.

As it was, Inco's earnings per share for the nine months fell to 70 cents compared with $1.22 in the same period of 1977. Mr. Baird pointed out, however, that Inco—with a 31 per cent share of the world nickel market in 1977—and Australia's Western Mining were the only principal nickel producers to make profits in that year. Losses incurred by the rest of the field totalled $130m.

Inco's Canadian rival, Falconbridge appears at last to be on the recovery trail and it hopes that improved results in the current quarter will be maintained in 1979.

But nobody, including Mr. Baird, is prepared to forecast any early return to prosperity in the nickel market and Inco's results for the current quarter will be dampened by the continuing labour strike at the Sudbury operations. However, the company has the benefit of diversified earnings via its ESB electric battery operations.

Canadian round-up

AN UNEXPECTED uranium find has been made by Consolidated Durham Mines, reports John Soganich from Toronto in his latest round-up of Canadian mining news. The widespread mineralisation occurs in both underground workings and surface dumps at the company's antimony mine near Fredericton in New Brunswick.

It is understood that the uranium values have been picked up underground for a length of 3,000 feet and that the Canadian Government's Eldorado Nuclear has been brought into the picture. This factor could lead to a deal between the two companies covering exploration and other work, it is thought.

At Embury Lake in Hudson Bay Mining and Smelting's Flin Flon area "territory" on the Manitoba-Saskatchewan border a subsidiary of Sweden's Granges has outlined a deposit of more than 3.5m tons grading 2.6 per cent copper and 4.3 per cent zinc. Engineering and metallurgical studies are under way and there is talk of mine development starting next year.

Third-quarter net income of Sherritt Gordon Mines has risen to C$3.5m (£1.5m), or 27 cents per share compared with a loss of C$1.3m in the same period of last year. Sales rose to C$49m from C$32.3m.

The profit improvement is attributed to better metal prices, the weaker Canadian dollar and a reduction in operating costs. Earnings also benefited from the much higher selling price for cobalt. Fertiliser sales in the quarter were higher and for the year to date are reported at record levels.

PAMOUR REJOINS DIVIDEND LIST

For the first time since December, 1974, Pamour Porcupine Mines, the Canadian gold producer which is 48.8 per cent-owned by Noranda Mines, is to pay a dividend. The company has declared an interim of 10 cents (4.3p).

The declaration follows a substantial recovery in the company's financial position. There was a net profit in the first three-quarter of the year of C$3.6m (£1.5m), compared with a loss in the same period of 1977 of C$754,000.

The recovery, although it slowed in the third-quarter because of lower silver production and higher operating costs, has come because of the higher price of gold and improved sales of production. The directors expect this trend to continue.

Pamour has also managed to reduce its short-term borrowings to C$3.6m from C$11.6m. The borrowings were made in 1976-77 when, as the company put it, "gold auctions depressed prices."

MIM WITHDRAWS FROM LONDON

MIM Holdings, the leading Australian base metals producer, is to close its London register. A statement from the group, issued yesterday, said that application had been made for a de-listing of its shares to take place from the close of trading on February 15, 1979.

MIM said that the decision had been reached because of the decline in the number of shareholdings on the London register and the expenses involved in maintaining the register.

This reflects to some extent the deminishing importance of London as a mining investment centre. But the tournover in MIM shares has consistently been higher than that for most other Australian issues, with 50,000 shares per day regularly changing hands.

MIM will not be lost to the London investor, however. Stock Exchange Rule 163 (1) (e) permits dealing in stocks which are officially listed on overseas exchanges, and MIM is maintaining its Australian listings.

Yesterday the shares were down 3p at 185p.

FOOD PRICE MOVEMENTS

	October 27 £	Week ago £	Month ago £
BACON			
Danish A.1 per ton	1,115	1,115	1,115
British A.1 per ton	1,085	1,085	1,085
Irish Special per ton	1,010	1,010	1,010
Ulster A.1 per ton¶	1,050	1,050	1,050
BUTTER			
NZ per 20 kg	12.81/12.74	12.59/12.72	12.59/12.72
English per cwt†	79.14/79.15	79.14	77.61/78.02
Danish salted per cwt†	80.98/83.72	80.98/81.72	78.98/82.22
CHEESE¶			
NZ per tonne	1,161.50	1,161.50	1,161.50
English cheddar trade per tonne	—	1,345	1,345
EGGS*			
Home-produced:			
Size 4	2.60/2.80	2.60/2.90	2.70/3.00
Size 2	3.20/3.40	3.10/3.40	3.20/3.60
	October 27 p	Week ago p	Month ago p
BEEF			
Scottish killed sides ex-KKCF	54.0/58.0	54.0/58.0	53.0/57.0
Eire forequarters	37.0/39.0	—	35.0/38.0
LAMB			
English	52.0/56.0	52.0/56.0	52.0/58.0
NZ PLs/PMs	—	56.5/58.0	56.0/57.0
PORK (all weights)	37.0/46.0	37.0/46.0	36.0/46.0
POULTRY—Broiler chickens	35.0/38.0	36.0/38.5	36.0/38.5

* London Egg Exchange price per 120 eggs. † Delivered. ‡ Unavailable. ¶ For delivery November 4-11.

ANGLOVAAL GROUP

DECLARATION OF PREFERENCE DIVIDENDS

Dividends have been declared payable to holders of preference shares registered in the books of the undermentioned companies at the close of business on 1 December 1978. The dividends are declared in the currency of the Republic of South Africa. Payments from London will be made in United Kingdom currency and the date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 4 December 1978, or such other date as set out in the conditions subject to which the dividends are paid. These conditions can be inspected at the registered office or office of the London Secretaries of the companies. Warrants in payment of the dividends will be posted on or about 29 December 1978. The transfer books and registers of members of the companies will be closed from 2 to 8 December 1978, both days inclusive. All companies mentioned are incorporated in the Republic of South Africa.

Name of company	Class of share	Dividend number	Amount per share cents
Anglo-Transvaal Consolidated Investment Company, Limited	6% Cumulative redeemable preference	32	6
do.	5% Cumulative redeemable second preference	62	5
Anglo-Transvaal Industries Limited	5.5% Cumulative preference	49	5.5
do.	8% "A" Redeemable cumulative preference	13	4
do.	8% "B" Redeemable convertible cumulative preference	13	4
Middle Witwatersrand (Western Areas) Limited	5% Redeemable cumulative preference	12	5

By Order of the Boards

ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries
per E. G. D. GORDON

Registered Office
Anglovaal House
56 Main Street
Johannesburg 2001

London Secretaries
Anglo-Transvaal Trustees Limited
295 Regent Street
London W1R 8ST

9 November 1978

The Application List for the Ordinary Shares now offered for sale will open at 10 a.m. on Wednesday, 15th November, 1978, and will close at such later time on the same day as Halliday, Simpson & Co. may determine. A copy of this Offer for Sale, having attached thereto the documents specified below, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary Share capital of Kitchen Queen Group Limited ("the Company") to be admitted to the Official List. This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Kitchen Queen group

DI LUSSO

Kitchen Queen Group Limited

(Incorporated under the Companies Acts 1948 to 1976 No. 1379370)

Offer for Sale

by Halliday, Simpson & Co. of 6,812,500 Ordinary Shares of 10p each at 29p per Share payable in full on application

Share Capital

Authorised		*Issued and fully paid*
£3,000,000	in 30,000,000 Ordinary Shares of 10p each	£2,504,400

The Ordinary Shares now offered will rank in full for all dividends hereafter declared on the Ordinary Share capital of the Company.

Indebtedness

At the close of business on 16th October, 1978 the Company and its subsidiaries ("the Group") had outstanding Bank indebtedness of £1,981,302 (secured by way of floating charges and fixed charges on freehold and long leasehold properties) and hire purchase commitments of £298,332. The Group had at that date cash balances of £543,378. Save as aforesaid and apart from inter-company transactions and guarantees of bank overdrafts of other companies in the Group, at that date the Group had no loan capital (including term loans) outstanding or created but unissued, and had outstanding no mortgages, charges, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities.

BOARD OF DIRECTORS

Neville Bernard Johnson
23 Broughton Street, Manchester M8 8LZ.
(Chairman and Chief Executive)

Antonio De Blasio (Italian)
23 Broughton Street, Manchester M8 8LZ.
(Managing Director—Manufacturing Division)

Aniello De Blasio (Italian)
23 Broughton Street, Manchester M8 8LZ.

Malcolm Roussak, B.Com. (Hons), A.C.A.
23 Broughton Street, Manchester M8 8LZ.
(Financial Director)

Eric Powell
23 Broughton Street, Manchester M8 8LZ.

Nicola De Blasio (Italian)
23 Broughton Street, Manchester M8 8LZ.

Harvey Earl Wilson
23 Broughton Street, Manchester M8 8LZ.

SECRETARY AND REGISTERED OFFICE

Malcolm Roussak, B.Com. (Hons), A.C.A.
23 Broughton Street, Manchester M8 8LZ.

FINANCIAL SUMMARY

The following statistics are derived from the full text of the Offer for Sale and accordingly must be read in conjunction with that text.

Issued Share Capital

In Ordinary Shares of 10p each £2,504,400

Trading record of the Group on a consolidated basis:

	Accounting Period ended on 31st August				
	1974 (16 months)	*1975*	*1976*	*1977*	*1978*
	£'000	£'000	£'000	£'000	£'000
Sales	3,043	5,211	10,572	14,829	15,085
Profit before taxation and extraordinary items	368	548	1,142	963	1,464
Profit after taxation and before extra-ordinary items ..	329	519	1,086	913	1,339
Shareholders' funds	203	675	1,793	2,469	3,708

Assets

As at 31st August, 1978 Group net tangible assets were:—	
—total	£3.7 million
—per share	14.8p

Offer for Sale statistics

Offer for Sale price	29.0p
Total market capitalisation at the Offer for Sale price	£7.3 million
Forecast Group profit before taxation for the year ending 31st August, 1979—not less than	£1.8 million
Estimated earnings per share for the year ending 31st August, 1979	
on the basis of corporation tax at the rate of 52 per cent.	3.4p
on the basis of the expected tax charge	6.3p
Price earnings multiple based on the Offer for Sale price, estimated earnings, and:	
full tax charge	8.4 times
expected tax charge	4.6 times
Forecast dividend per share (inclusive of related tax credit at 33 per cent.) for the year ending 31st August, 1979 payable in part in July 1979 and the balance in February 1980	2.0p
Equivalent dividends per share (inclusive of related tax credit at 33 per cent.) for a full year	2.5p
Yield at the Offer for Sale price on the basis of the net dividends per share for a full year (inclusive of related tax credit at 33 per cent.)	8.6 per cent.

AUDITORS AND REPORTING ACCOUNTANTS

Royce, Peeling, Green & Co.
Chartered Accountants
Hilton Chambers, 15 Hilton Street, Manchester M1 1JL.

SOLICITORS

To the Company:
Alexander, Tatham & Co.,
30 St. Ann Street,
Manchester,
M2 3DB.

To the Issue:
Halliwell Landau & Co.,
Barnett House,
53 Fountain Street,
Manchester M2 2AN.

BROKERS

Halliday, Simpson & Co.,
98 King Street, Manchester M60 2HA.
73 Cheapside, London EC2V 6ES, and The Stock Exchange.

PRINCIPAL BANKERS

Algemene Bank Nederland NV
Pall Mall Court, 61 King Street, Manchester M2 4PD.

RECEIVING BANKERS

Lloyds Bank Limited,
Registrar's Department, Issue Section,
111 Old Broad Street, London EC2N 1AU.

REGISTRARS AND TRANSFER OFFICE

Lloyds Bank Limited,
Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA.

The following is a copy of a letter to Halliday, Simpson & Co. from Mr. N. B. Johnson, Chairman and Chief Executive of Kitchen Queen Group Limited:—

The Partners,
HALLIDAY, SIMPSON & CO.

8th November, 1978.

Dear Sirs,

In connection with the Offer for Sale of Ordinary Shares in Kitchen Queen Group Limited ("the Company"), I have pleasure in providing you with the following information:—

Introduction

The Company is engaged in two principal activities—retailing and manufacturing. The retail business offers a very wide selection of kitchen, bedroom and living-room furniture, and DIY products, sold through three major retailing outlets where the customers are able to make their choice from probably the most comprehensive range of fitted kitchens and bedrooms on display in the U.K. The Company sells most lines on a discount basis and aims for immediate availability from stock. This business is referred to as "Kitchen Queen".

The manufacturing activities of the Company are the manufacture and supply of self-assembly furniture to the DIY trade, this business being referred to as "Di Lusso". The expenditure of capital on modern plant and the flexibility in the manufacturing process, together with Italian flair and design, all linked to our retailing expertise, now enable Di Lusso to give, I believe, the best value for money in this field.

History and Business of Kitchen Queen

In 1965 I started Kitchen Queen whilst still working as a representative for a plastic laminate company. I rented a garage in North Manchester, bought several kitchen units and, keeping prices to a minimum, began advertising in the classified columns of the *Manchester Evening News*.

Choice of merchandise was influenced by the problems I had experienced in fitting my own kitchen on getting married. There was simply no one specialising in kitchen furniture and I felt this presented an opportunity of which I could take advantage. At this time, the only people who would supply me were the small non-branded jobbing manufacturers to whom I was supplying plastic sheeting. The business made a successful start and very shortly I was forced to look for larger premises. This move took me to a shop in Salford which, once again, the business quickly outgrew. My next move was to a larger shop in the centre of Manchester. The first major move, and probably the most significant, took place in 1969 when I moved into 15,000 sq. ft. multi-storey premises in Rochdale Road, Manchester. Until this time I had continued my job with the plastics company, whilst employing full-time staff in my own business. With this move I decided to enter the business full time and Kitchen Queen Limited was formed.

During this period it was virtually impossible to see displays of fully fitted kitchens and to compare the products of different manufacturers side by side. With the setting up of the Rochdale Road store we installed our first five kitchen displays. This in itself was no easy matter as at the time none of the major manufacturers would supply us. Plumbers and builders' merchants had a virtual monopoly over the retail kitchen business and certainly there were no kitchen specialists on the scale we envisaged. We also believed that it was not enough in itself to offer displays. We considered that customers should be offered a complete design, planning and installation service, not confined to kitchen units, but extending to built-in electrical appliances and ceramic wall and floor tiles.

The formula was successful and, shortly after this, fitted bedroom ranges were introduced, again with a complete design, planning and installation service. The major fitted furniture manufacturers, seeing the success of Kitchen Queen, then became interested in supplying the company.

Early in 1972 we made a decision which was to have a profound and significant effect on the future of the business. As a company we had always used extensive newspaper advertising, yet we had never used the medium of television. We decided to mount an intensive television campaign presenting the displays and the services offered by Kitchen Queen. The advertising was so successful that business escalated to a level even greater than we had envisaged, and as a result we were supplying fitted kitchens and bedrooms throughout the North-West. In the process we became one of the best known retailers in the Granada television area.

On planning this campaign we realised that the Rochdale Road premises would not live up to the image portrayed on television, nor be big enough for this expansion. Accordingly, in November 1972, Kitchen Queen moved to its present Manchester retail store in Stocks Street, a modern building, now having a selling area of 32,000 sq. ft.

At this time deliveries from manufacturers regularly took up to 26 weeks from date of order. Within eighteen months of the move to Stocks Street we acquired warehouses in the immediate vicinity of the store which gave us a warehousing area of 42,000 sq. ft. We began to build up large stocks of furniture, which enabled us to offer our customers very fast or even immediate delivery on a wide range of merchandise which our competitors were offering on extended delivery.

By late 1972 we had extended our displays into self-assembly kitchens, living rooms, and dining rooms, from manufacturers whose names were well known to the public. In the trade the showroom displays were regarded as the finest and most outstanding in the U.K. The combination of the extended furniture range, the fast delivery, competitive prices, and heavy advertising maintained the continued high rate of growth.

I think it is worth pointing out that each of our moves to bigger and better premises had been financed from our own resources.

In May 1973 I entered into a contract to sell 50 per cent. of my holding in Kitchen Queen to Cranleigh Group Limited ("Cranleigh") at a total price of £525,000. 25.1 per cent. was sold immediately, and the sale of the remaining 24.9 per cent. was conditional upon achievement of a profit forecast which was duly met. It was felt that the involvement of a quoted public company would enhance the financial status of the company and enable us to progress with our expansion with a view to ultimate flotation.

In early 1975, due to the collapse of the Stock Market and adverse economic conditions, the Board of Cranleigh decided to close down their investment division and concentrate upon their manufacturing interests. With my confidence in the record and future of the company, I took this opportunity of re-acquiring these shares at the price of £350,000 sought by Cranleigh.

In March 1974 we opened a second store, when we acquired a large retail unit in Coventry city centre with a sales area of 18,900 sq. ft. which today trades as Upstairs and Downstairs. This was established on similar lines to Kitchen Queen in Manchester, following the same policies.

In May 1976 Industrial and Commercial Finance Corporation Limited (ICFC) and its associated company Estate Duties Investment Trust Limited (EDITH) together acquired 10.78 per cent. of the share capital of Kitchen Queen Limited from my wife at a price of £300,000.

Earlier this year we acquired a business called The Room Set Limited, trading from a 33,000 sq. ft. store next to Yorkshire Television Studios in Leeds. We changed the name to Kitchen Queen and introduced the proven Kitchen Queen retailing formula. The store was relaunched in September backed by heavy advertising, both in the press and on television.

Each of the three main outlets in Manchester, Leeds and Coventry contains the ranges of most major U.K. and the top EEC kitchen furniture manufacturers, and our own Di Lusso kitchens. In our Manchester store, for example, we currently have on display 55 fitted and 28 self-assembly kitchen settings, and over 25 displays of fitted and self-assembly bedroom furniture. Personal loan facilities are available for customers at all stores by arrangement with leading finance houses.

The Manchester store also has an extensive DIY department covering many of the needs of the home handyman.

A further venture has been a move into small shop units in town centres, selling mainly Di Lusso products. The trading name is Kitchens Today and the first unit opened in Hanley in April of this year. The shop has about 20 Di Lusso kitchen displays, a Di Lusso bedroom display, a range of bedroom chests, and wall and sink units. Early trading results are encouraging and as a result of this we are now active in our search for additional sites.

History and Business of Di Lusso

I think it important to explain why it was decided to acquire a 50 per cent. interest in Scala and De Blasio Limited in August 1973. The management at Kitchen Queen were constantly studying the retail market both in this country and the U.S.A., watching trends and developments. It came to the conclusion that the largest potential growth area in Great Britain was in DIY retailing. This was going to result in a very real need for merchandise which could be supplied in quantity, and in a wide range of qualities. Thus it seemed to us that self-assembly furniture was the ideal vehicle through which we could move into the DIY sector as a supplier.

In September, 1974 a further 25.1 per cent. of Scala and De Blasio Limited was acquired and in 1975 its name was changed to Di Lusso Kitchens Limited. In May 1976 Di Lusso became a wholly-owned subsidiary of Kitchen Queen Limited.

Following the acquisition of Di Lusso, we immediately moved the business from small back-street premises into a 170,000 sq. ft. factory just outside Oldham. We purchased modern machinery and were thus able to cope with the increasing demand for Di Lusso self-assembly kitchens which subsequently took place. The growth in the market for self-assembly kitchens resulted in very large sales through the DIY outlets. We were helped in this by our own experience in the retail business, and a very effective network of distributors which was quickly set up across the country and equipped to handle Di Lusso furniture.

The factory was soon in full production with our customers taking as many kitchen units as we could produce. So great was the demand that for a period we were forced to have furniture made by sub-contractors to help us meet orders. Eventually, in July 1976, we bought a second factory just outside Rochdale with a further 210,000 sq. ft. and substantially increased the production capacity.

There has now been a slight change of emphasis as far as distribution is concerned. Whereas initially we were selling solely through distributors, Di Lusso is now also supplying a number of major retailers directly.

To assist in delivery to such retailers, for whom delivery times are vital, we have now acquired a modern warehouse at Horwich (adjacent to the M61) of 170,000 sq. ft. This additional warehousing for finished goods will allow Di Lusso to maintain even levels of production throughout the year and thus to expand its overall capacity by using these stocks to supplement supplies at peak periods of demand.

The U.K. market for DIY products has been expanding rapidly for a number of years. We are consequently manufacturing goods with the specific needs of DIY customers in mind. Di Lusso produces several ranges of self-assembly furniture which between them cover the whole spectrum of the market, from the basic self-assembly kitchens to the highest quality furniture. The range is continually being increased, both by the addition of new lines and by the extension of existing lines.

Di Lusso displays can now be seen in some eleven hundred outlets throughout the U.K. all planned and installed with the help of our strong technical planning and sales team.

In the past twelve months we have also exported goods to Scandinavia and the Middle East.

Di Lusso enjoys very good working relationships with its principal suppliers. It has sufficient warehouse capacity to enable it to buy in quantity and stockpile raw materials, thus obtaining the advantages of bulk purchase and ensuring a continuity of supply.

In the year ended 31st August, 1978 one leading manufacturer will have supplied approximately 25 per cent. of Di Lusso's raw material purchases. Nevertheless, there are a large number of alternative sources of supply open to it.

Di Lusso products are sold by Kitchen Queen in its retail outlets and, in the year ended 31st August, 1978, this accounted for approximately 9 per cent. of total sales of Di Lusso; Di Lusso in turn accounted for approximately 23 per cent. of Kitchen Queen's sales.

We advertise Di Lusso kitchens through the national dailies, home interest magazines and colour supplements. We also occasionally advertise on television. In addition, we make large advertising allocations to major customers to be expended in joint advertising in which our products are prominently featured.

The Present Organisation

I set out below our main operating companies with their activities set alongside them.

Kitchen Queen Group Limited	—the holding company
Kitchen Queen Limited	—Manchester retail trade other than bedrooms
Bedroom Queen Limited	—Manchester bedroom retail trade
Kitchen Queen (Midlands) Limited	—the Coventry retail operation
Kitchen Queen (Leeds) Limited	—the Leeds retail operation
Di Lusso Kitchens Limited	—manufacture of kitchen and bedroom furniture including all the DIY furniture
Kitchens Today Limited	—sale of Di Lusso products from small retail shops
Anglo-Italian Kitchens Limited (a 70 per cent. subsidiary)	—manufacture of rigid (i.e. non self-assembly) kitchens.

Management and Staff

I am the Chairman and Chief Executive of the Company and am 35 years old. My responsibility is determination of overall group strategy and the direction of retailing.

Antonio De Blasio is 37 and one of the founders of Di Lusso. He is managing director of the manufacturing division. Aniello De Blasio is 35, another of the founders of Di Lusso and is now its purchasing and production director.

Malcolm Roussak, a chartered accountant, is 33 and joined the Group 6 years ago. He is responsible for the overall financial control of the Group. Eric Powell is 58 and joined Kitchen Queen ten years ago as general manager of the retailing division. He is now responsible for co-ordination of the various activities of the Group.

Nicola De Blasio is 42 and another of the founders of Di Lusso. He is the works director of the manufacturing division. Harvey Wilson is 27 and joined Kitchen Queen eleven years ago. He is sales director of the retail division.

On the retail side, there is a general manager, and a manager for each store. They are all trained in the Kitchen Queen methods and carry out the marketing and selling philosophies of the Board.

At Di Lusso the Chief Accountant heads the accounting department, and a distribution manager has responsibility for transport and warehousing. There are two works managers in charge, respectively, of factory administration and production. The Sales Manager has overall responsibility for sales with individual managers below him for each of domestic sales, export sales, marketing, and technical services.

The Group operates a very extensive staff training policy. Retail sales staff spend time with the various manufacturers and attend their training courses both in the U.K. and on the Continent. The Group has 551 employees and the labour relations record is extremely good, with all staff being highly motivated. Company policy is to recruit senior management from staff, who are very much aware of this. There are pension schemes for the benefit of employees.

(continued overleaf)

Kitchen Queen Group Limited

Properties

Details of the premises occupied by the Group are given in the Schedule below.

Profit Record

The Group has grown substantially in the five years ended 31st August, 1978 in terms of sales and profitability. During this period, turnover of the Group has increased from a twelve month equivalent of £2.2 million (after adjusting the figures for the sixteen months ended 31st August, 1974) to £15.1 million, and on the same basis, profit before taxation from £270,000 to £1.46 million.

The growth in profits was temporarily interrupted in the year to 31st August, 1977 when in common with the whole of the economy, and the furniture trade in particular, the Group experienced a sudden and substantial fall in demand. The effect of this downturn was minimised by the operation of the two sides of the Group to their mutual advantage. Di Lusso quickly introduced lines to suit the lower end of the market and sales of these through Kitchen Queen were substantial. Thus, although overall profit margins were reduced, turnover of both Di Lusso and Kitchen Queen was actually increased in this period, placing both in a prominent market position. This enabled a rapid return to increased profitability with the revival of the economy, as shown by the results for the year ended 31st August, 1978 and the forecast for the current year. We envisage that the Kitchens Today operation, selling predominantly Di Lusso products, will emphasise the reciprocal advantages of manufacturing and retailing.

Current Year

On the bases and assumptions set out in Statutory and General Information, the Directors forecast that, in the absence of unforeseen circumstances, the turnover and profit of the Group, before taxation and extraordinary items, for the year ending 31st August, 1979 will be not less than £19.7 million and £1.8 million respectively.

Dividends and Yields

On the basis of the above forecast of Group profit it would be the Directors' intention to recommend for payment in July, 1979 a net interim dividend of 0.536p per share and in February, 1980 a net final dividend of 0.804p per share (a total of 2p inclusive of related tax credit at the rate of 33 per cent.).

For a full year throughout which the Company's shares were listed and in which a similar level of profit were to be earned, the Directors would expect to recommend dividends totalling 1.675p net per share (2.5p with the related tax credit at the rate of 33 per cent.). Under current legislation, the Company would not be subject to any governmental dividend restrictions in respect of the two years ending 31st August, 1980.

The following table illustrates the appropriation of profits on this basis assuming:—

(i) Corporation tax at the standard rate of 52 per cent. and (in the alternative) the expected rate of 12 per cent. (taking account of the availability of stock appreciation relief and accelerated capital allowances);

(ii) total net dividends in a full year of 1.675p per share; and

(iii) an issued share capital of 25,044,000 Ordinary Shares.

		£000		£000
Profit before taxation		1,800		1,800
Less: Taxation at:	(52%)	936	(12%)	216
Profit after taxation		864		1,584
Less: Dividends		419		419
Retained profit		445		1,165
Earnings per share		3.4p		6.3p
Cover for ordinary dividend		2.1 times		3.8 times

On the basis of the estimated tax charge of 12 per cent. resulting in earnings per share of 6.3p and at the offer price of 29p, the Ordinary Shares of the Company are being offered for sale on a price earnings multiple of 4.6. Applying a theoretical tax charge of 52 per cent., the earnings per share would be 3.4p and the price earnings multiple 8.4. Based on the forecast dividend, the gross dividend yield in a full year would be 8.6 per cent.

Prospects

We look forward to the future with confidence. On the retailing side, the implementation of the Kitchen Queen techniques at the new store in Leeds should ensure that this store makes an increasing contribution to both turnover and profits of the Group. In view of the success of the Kitchens Today operation at Hanley, we have several further units planned and are looking at additional sites for this operation. In general, we will appraise opportunities for opening further large retail outlets as and when such opportunities arise. Overall, the above fields provide a base for substantial growth in the future.

On the manufacturing side, Di Lusso has substantially increased manufacturing capacity enabling it to offer new and extended ranges of kitchen furniture, thus broadening its trading base. Additionally it is now both expanding its production of bedroom furniture and commencing production of occasional furniture for home assembly, including furniture for audio equipment. A substantial increase in sales is anticipated from the production of own-brand name kitchens for large retailers whom Di Lusso are now supplying. Additionally, we see expansion in the export field, and to this end have set up a separate export department. Its initial activity has been centred in Scandinavia and contacts are also being made in the Middle East. As with retailing, we believe that the above will ensure a continued substantial growth in the turnover and profits of this division.

In conclusion, we feel that our growth record shows our ability to anticipate and provide for demand and to create new markets for our products. We feel confident that our flexibility will ensure that this growth will continue.

Yours faithfully,
N. B. JOHNSON.

SCHEDULE OF PROPERTY

Property	*Tenure*	*Rent* (per annum)	*Sales*	*Floor Area* (sq. ft.) *Office*	*Warehouse*	*Manuf.*
23 Broughton Street, Manchester M8 8LZ	Leasehold for 30 years from 25.3.74	£32,000 till 1980 with 5 yearly reviews	—	4,330	34,370	—
40-50 Stocks Street, Manchester M8 8RL	Freehold	—	32,218	4,118	—	—
9 Bradstone Road, Manchester M8 8WA	Leasehold for 25 years from 14.9.76	£11,000 for first 5 years with 5 yearly reviews	—	1,700	9,064	—
10 Knowsley Street, Manchester M8 8GF	Leasehold till 7.4.84	£3,400	—	—	8,044	—
49 Corporation Street, Coventry CV1 1GF	Leasehold till 23.6.2067	£20,500 until 1982 with 14 yearly reviews	18,902	2,240	—	—
58/64 Corporation Street, Coventry CV1 1GF	Leasehold till 4.10.89	£3,500 with review in 1982				
Unit 2b, Curriers Close, Canley, Coventry CV4 8AW	Leasehold for 25 years from 25.12.73	£10,500 for first 5 years with 5 yearly reviews	—	—	17,012	—
37 Burley Road, Leeds LS3 1JS	Leasehold till 28.2.2002	£23,000 until 1982 with 5 yearly reviews	18,718	3,827	11,114	—
26 Old Hall Street, Hanley, Stoke-on-Trent ST1 3AN	Leasehold till 28.9.87	£3,940	1,364	100	291	—
Unit 1, Blackrod Estate, Horwich, Bolton	Agreement for Lease for 20 years from 25.3.79	£151,350 for first 5 years with 5 yearly reviews	—	2,500	172,112	—
Nile Mill, Fields New Road, Chadderton, Oldham OL9 8NH	Leasehold till 9.12.2897	£177.61	—	2,825	—	174,100
Mona Mill, Chadderton, Oldham OL9	Leasehold for 7 years from 25.3.76 with option for further 3 years at same rent	£8,000	—	—	30,000	—
Orama Mill, Whitworth, Rochdale	Freehold		—	18,570	14,650 (25,000 under constr.)	181,380 (8,000 under constr.)
Dale Mill, Roche Street, Rochdale	Leasehold for 1 year from 5.7.78	£12,500	—	—	41,000	—
Moslo Mill, Water Street, Bury	Leasehold for 3 years from 18.1.78	£1,250: £3,000 and £3,400 for each succeeding year	—	100	—	8,000
Total in use			71,202	38,310	337,657	363,480

Note: All the above properties are owned by Kitchen Queen Limited and (other than Unit 1, Blackrod Estate) used for warehousing and sales, except the two properties at Chadderton and the two at Rochdale (which are all owned and used by Di Lusso Kitchens Limited for manufacturing) and the property at Bury (which is owned and used by Anglo-Italian Kitchens Limited for manufacturing). Unit 1, Blackrod Estate, although contracted by Kitchen Queen Limited, is to be used by Di Lusso Kitchens Limited for warehousing.

ACCOUNTANTS' REPORT

The following is a copy of a report which has been received from Royce, Peeling, Green & Co., the auditors and reporting accountants:—

Hilton Chambers,
15 Hilton Street,
Manchester M1 1JL.
8th November, 1978

The Directors,
Kitchen Queen Group Limited,
23 Broughton Street,
Manchester M8 8LZ.

The Partners,
Halliday, Simpson & Co.,
98 King Street,
Manchester M60 2HA.

Dear Sirs,

Kitchen Queen Group Limited ("the Holding Company") was incorporated on 19th July, 1978 and did not trade prior to 7th November, 1978, when it acquired the whole of the issued share capital of Kitchen Queen Limited through an exchange of shares.

We have examined the audited accounts of Kitchen Queen Limited and its subsidiary companies, hereinafter collectively referred to as "the Group", from 30th April, 1973 or subsequent date of incorporation to 31st August, 1978. The information set out in the following paragraphs of this report includes the results of the following subsidiary companies, which were wholly owned (except as noted), for the periods stated:—

Kitchen Queen Limited	30th April, 1973 to 31st August, 1978
Di Lusso Kitchens Limited	30th April, 1973 to 31st August, 1978
Bedroom Queen Limited	30th April, 1973 to 31st August, 1978
Kitchen Queen (Midlands) Limited	19th March, 1974 to 31st August, 1978
Extra Space Limited	1st September, 1976 to 31st August, 1978
Kitchens Today Limited	8th April, 1978 to 31st August, 1978
Anglo Italian Kitchens Limited (70 per cent.)	16th January, 1978 to 31st August, 1978
Kitchen Queen (Leeds) Limited	1st May, 1978 to 31st August, 1978

Extra Space Limited has not traded since 31st August, 1977.

Kitchen Queen (Leeds) Limited became a subsidiary company of the Group with effect from 1st May, 1978 and the results of this Company are included from this date. As the acquisition of this subsidiary was accompanied by a complete change in local management no results of this company are included prior to 1st May, 1978. However, we report that this company commenced trading on 1st September, 1977 and in the period to 30th April, 1978 incurred a pre tax loss of £71,315 derived from a turnover of £450,591.

We have acted as auditors of all the above companies for all relevant years in the period under review.

The summarised profit and loss accounts, balance sheets and statements of source and application of funds are based on the audited accounts of the companies after making such adjustments as we consider appropriate. They have been prepared on the historical cost convention. In our opinion these summaries give a true and fair view of the profits and source and application of funds of the Group for the periods stated and of the state of affairs of the Group at the dates stated.

PROFIT AND LOSS ACCOUNTS

	Notes	16 months ended 31st August, 1974	Years ended 31st August 1975	1976	1977	1978
		£'000	£'000	£'000	£'000	£'000
Sales	2	3,043	5,211	10,572	14,829	15,085
Cost of Sales	3	2,675	4,663	9,430	13,866	13,621
Profit before taxation and extraordinary items		368	548	1,142	963	1,464
Taxation	4	39	29	56	50	125
Profit after taxation and before extraordinary items		329	519	1,086	913	1,339
Goodwill written off	5	140	6	145	158	18
Minority interests		26	16	71	—	—
Extraordinary items	6	15	25	—	—	—
Dividends	7	—	—	10	79	82
Retained profit		148	472	860	676	1,239
Adjusted earnings per share	8	1.3p	2.1p	4.3p	3.6p	5.3p

BALANCE SHEETS

	Notes	30th April, 1973	31st August 1974	1975	1976	1977	1978
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	9						
Freehold properties		—	—	—	411	656	925
Long leasehold properties		—	106	143	160	238	251
Short leasehold properties		—	2	2	2	2	9
Plant, equipment and motor vehicles		79	224	350	682	1,585	1,666
		79	332	495	1,255	2,481	2,851
Hire purchase liabilities		(25)	(15)	(43)	(101)	(291)	(275)
Secured loan	10	—	—	—	(144)	(119)	(94)
		54	317	452	1,010	2,071	2,482
Current assets							
Stock and work in progress		172	483	1,057	1,791	2,759	4,839
Debtors		101	310	609	592	1,022	1,343
Quoted investment	11	—	—	—	—	—	177
Bank and cash balances		228	257	291	470	146	115
		501	1,050	1,957	2,853	3,927	6,474
Current liabilities							
Creditors		347	704	1,371	1,931	2,589	3,088
Taxation		75	52	17	28	22	80
Bank overdrafts (secured)		—	256	212	—	788	1,980
Proposed dividends		—	—	—	—	—	2
		422	1,012	1,600	1,959	3,399	5,150
Net current assets		79	38	357	894	528	1,324
		133	355	809	1,904	2,599	3,806
Deferred liabilities							
Taxation	12	8	21	48	70	89	98
Unsecured loan		—	102	41	41	41	—
Minority interests		70	29	45	—	—	—
Net tangible assets		55	203	675	1,793	2,469	3,708
Representing							
Share capital	13	15	16	17	417	417	835
Share premium		—	—	—	201	201	—
Reserves	14	40	187	658	1,175	1,851	2,873
		55	203	675	1,793	2,469	3,708

SOURCE AND APPLICATION OF FUNDS STATEMENT

	16 months ended 31st August, 1974	Years ended 31st August, 1975	1976	1977	1978
	£'000	£'000	£'000	£'000	£'000
Source of funds					
Profit before taxation and extraordinary items	368	548	1,142	963	1,464
Depreciation	33	75	110	314	450
Total generated from operations	401	623	1,252	1,277	1,914
Funds from other sources					
Issue of shares	—	—	258	—	—
Loans	102	—	150	—	—
Sale of fixed assets	19	32	39	64	84
	522	655	1,699	1,341	1,998
Application of funds					
Purchase of fixed assets	(305)	(270)	(909)	(1,604)	(904)
Loan repayments	—	(61)	(6)	(25)	(66)
Dividends paid	—	—	(10)	(79)	(79)
Purchase of goodwill	(140)	(6)	(145)	(158)	(18)
Purchase of quoted investment	—	—	—	—	(177)
Minority interests	(26)	(16)	(71)	—	—
Extraordinary items	(15)	(25)	—	—	—
Taxation	(26)	(2)	(34)	(31)	(116)
Net inflow/(outflow) of funds	10	275	524	(556)	638
Increase/(decrease) in working capital					
(Increase) in creditors	(334)	(632)	(571)	(652)	(556)
(Increase)/decrease in bank overdrafts	(256)	44	212	(788)	(1,192)
(Increase)/decrease in hire purchase liabilities	10	(28)	(58)	(190)	16
(Increase)/decrease in minority interests	41	(16)	45	—	—
Increase/(decrease) in debtors	209	299	(17)	430	321
Increase in stock	311	574	734	968	2,080
Increase/(decrease) in liquid funds	29	34	179	(324)	(31)
	10	275	524	(556)	638

ACCOUNTING POLICIES

1. The principal accounting policies of the Group which have applied throughout the period under review are as follows:—

(a) *Consolidation.* The profit and loss accounts and balance sheets include the accounts of Kitchen Queen Limited and all subsidiaries made up to the end of each financial period.

(b) *Stock and Work in Progress* are valued at the lower of cost or net realisable value. Work in Progress includes relevant overheads where appropriate.

(c) *Depreciation.* Depreciation is provided on cost, on all fixed assets, except freehold and long leasehold land, on a straight line basis or reducing balance basis in order to write off the cost of the assets over their expected useful lives. The principal rates applied are:—

Freehold buildings	—	2 per cent. per annum straight line
Long leasehold buildings	—	2 per cent. per annum straight line
Short leasehold properties	—	equal annual instalments over the period of the lease
Plant and machinery	—	25 per cent. per annum on the reducing balance
Equipment	—	10 per cent. per annum on the reducing balance
Motor vehicles	—	25 per cent. per annum on the reducing balance

(d) *Hire purchase liabilities.* Interest on Hire Purchase Agreements is charged to Profit and Loss Account evenly over the life of the Agreement. The effect of this is that the outstanding liability at the financial year end is stated after excluding future interest payable.

(e) *Regional development grants.* Grants received have been credited to the relevant asset account. Depreciation has been provided on the net cost.

(f) *Deferred tax.* Provision for deferred taxation is made in so far as there is a reasonable probability that a liability for payment will arise in the foreseeable future.

NOTES ON PROFIT AND LOSS ACCOUNTS

2. Sales represent the total value of net invoiced sales excluding value added tax and inter company sales.

3. Cost of sales includes the following items:—

	16 months ended 31st August, 1974	1975	Years ended 31st August, 1976	1977	1978
	£'000	£'000	£'000	£'000	£'000
Depreciation	33	75	110	314	450
Interest on loans repayable within 5 years	26	49	14	65	90
Interest payable on other loans	10	3	6	17	—
	69	127	130	396	540
Less: Interest receivable	(41)	(43)	(66)	(39)	(27)
Dividends receivable	—	—	—	—	(8)
	28	84	64	357	505

4. Taxation comprises the following items:—

	16 months ended 31st August, 1974	1975	Years ended 31st August, 1976	1977	1978
	£'000	£'000	£'000	£'000	£'000
Corporation tax	39	29	56	22	150
Advance corporation tax on dividends paid	—	—	—	28	(28)
Tax credits on dividends received	—	—	—	—	3
	39	29	56	50	125

5. Goodwill written off represents the excess of the cost of acquisition of subsidiary companies over the value of net assets acquired.

6. Extraordinary items comprise the following:—

	16 months ended 31st August, 1974	1975	Years ended 31st August, 1976	1977	1978
	£'000	£'000	£'000	£'000	£'000
Severance payments to former directors	15	25	—	—	—

7. Dividends have been paid on 90,000 'A' Convertible Cumulative Preferred Ordinary Shares of £1 each and 108,000 'B' Convertible Cumulative Preferred Ordinary Shares of £1 each. Dividends have been payable half yearly on 30th June and 31st December from 18th May, 1976 at a rate of 40p per share per annum. In addition a participating dividend of 1.24898p per share has been proposed in respect of the year ended 31st August, 1978. Total dividends paid, or proposed, are as follows:—

	Years ended 31st August, 1976	1977	1978
	£'000	£'000	£'000
'A' Convertible Cumulative Preferred Ordinary Shares	5	36	37
'B' Convertible Cumulative Preferred Ordinary Shares	5	43	45
	10	79	82

Notes: (i) Prior to a bonus issue on 10th August, 1978, the above holdings were respectively 45,000 and 54,000 'A' and 'B' Convertible Cumulative Preferred Ordinary Shares of £1 each, and the dividend entitlement was at a rate of 80p per share per annum.

(ii) The above shares were converted into Ordinary Shares of £1 each on 7th November, 1978, prior to their exchange for Ordinary Shares of 10p each in the Holding Company.

8. The calculation of adjusted earnings per share is based on profit after taxation and before extraordinary items and on 25,044,000 shares in issue immediately prior to the offer for sale.

NOTES ON BALANCE SHEETS

9. A summary of the fixed assets of the Group as at 31st August, 1978 is as follows:—

	Cost	*Depreciation*	*Book Value*
	£'000	£'000	£'000
Freehold properties	955	30	925
Long leasehold properties	271	20	251
Short leasehold properties	11	2	9
Plant, equipment and motor vehicles	2,535	869	1,666
	3,772	921	2,851

10. The loan of £93,750 is secured on one of the Group's freehold properties and is repayable by quarterly instalments of £6,250.

The loan is subject to interest at a rate of 2 per cent. in excess of base lending rate of Barclays Bank Limited.

11. The quoted investment had a market value of £186,931 on 31st August, 1978 and has since been disposed of for a consideration of £194,718.

12. In accordance with the provisions of the Statement of Standard Accounting Practice No. 15 the Group has adopted the policy of only providing for deferred tax where there is a reasonable probability that a liability for payment will arise in the foreseeable future. The effect of this is to eliminate the need to provide for taxation deferred by stock appreciation relief and capital allowances in excess of related depreciation. If deferred taxation had been provided in full at 31st August, 1978 the total amount required to replace the provision of £97,989 already included in the accounts would be:—

	£000
Stock appreciation relief	2,198
Accelerated capital allowances	977
Other timing differences	(12)
	3,163
Less: Taxation losses carried forward	938
	2,225

13. The movements in the share capital of Kitchen Queen Limited between 30th April, 1973 and 31st August, 1978 have been as follows:—

	Authorised Share Capital £	*Issued Share Capital* £	*Number of Shares (fully paid)*
30th April, 1973	15,000	15,000	15,000
14th May, 1973	500	500	500
2nd August, 1974	500	500	500
22nd May, 1975	1,000	1,000	1,000
18th May, 1976	400,400	343,000	343,000
18th May, 1976 (see note)	—	57,400	57,400
10th August, 1978	417,400	417,400	417,400
	834,800	834,800	834,800

Note—57,400 Ordinary Shares of £1 each were issued on 18th May, 1976 in exchange for the outstanding 24.9 per cent. of the issued share capital of Di Lusso Kitchens Limited not then held by the Group and valued at that time at £258,300.

14. Movements in undistributed profits have been as follows:—

	16 months ended 31st August, 1974	Years ended 31st August, 1975	1976	1977
	£'000	£'000	£'000	£'000
Balance at beginning of period	40	187	658	1,175
Retained net profit	148	472	860	676
Bonus issue of shares	(1)	(1)	(343)	—
	187	658	1,175	1,851

15. The group had proposed capital expenditure not provided for in the accounts at 31st August, 1978 as follows:—

	£'000
Contracted for	476
Authorised but not contracted for	77
	553

16. *Contingent Liabilities.* Kitchen Queen Limited has guaranteed bank overdrafts and hire purchase commitments of certain subsidiary companies which at 31st August, 1978 amounted to £2,173,364.

ANALYSIS OF SALES AND PROFITS

17. The sales and profits of the Group before taxation and extraordinary items have been derived from retailing and manufacturing activities as follows:—

	16 months ended 31st August, 1974	Years ended 31st August, 1975	1976	1977
	£'000	£'000	£'000	£'000
Sales				
Retailing	2,026	2,712	4,286	5,087
Manufacturing	1,017	2,499	6,286	9,742
	3,043	5,211	10,572	14,829
Profit				
Retailing	265	320	311	162
Manufacturing	103	228	831	801
	368	548	1,142	963

Yours faithfully,
ROYCE, PEELING, GREEN & CO.,
Chartered Accountants

STATUTORY AND GENERAL INFORMATION

1. SHARE CAPITAL

The Company was incorporated in England as a private company on 19th July, 1978 with an authorised share capital of £100 of which 2 Ordinary Shares of £1 each were issued.

On 7th November, 1978:—

(i) the 100 Ordinary Shares of £1 each were subdivided into 1,000 Ordinary Shares of 10p each;

(ii) the authorised share capital of the Company was increased from £100 to £834,800 by the creation of an additional 8,347,000 Ordinary Shares of 10p each; and

(iii) the Company issued 8,347,980 Ordinary Shares as consideration for the purchase of the entire issued share capital of Kitchen Queen Limited.

On 8th November, 1978:—

(i) the authorised share capital of the Company was increased from £834,800 to £3,000,000 by the creation of an additional 21,652,000 Ordinary Shares of 10p each;

(ii) the Company capitalised the sum of £1,669,600 standing to the credit of the Company's Capital Reserve Account (arising on the revaluation of its investment in Kitchen Queen Limited) by way of distribution of 16,696,000 Ordinary Shares of 10p each credited as fully paid, rateably amongst the holders of the Ordinary Shares; and

(iii) the Company adopted new Articles of Association and became a public company.

No share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option. Save as disclosed herein, no share or loan capital of the Company or any of its subsidiaries has within two years preceding the publication of this Offer for Sale been issued or is proposed to be issued either for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted within the said two years by the Company or any of its subsidiaries in connection with the issue of any part of their share capital.

Without the prior approval of the Company in general meeting no material issue of shares (other than to Ordinary shareholders *pro rata* to existing holdings) will be made within one year of this Offer for Sale and no issue of shares will be made which would effectively alter the control of the Company or the nature of its business.

On 10th August, 1978 Kitchen Queen Limited capitalised the sum of £417,400 standing, as to part, to the credit of its Capital Reserve Account and, as to part, to the credit of the Profit and Loss Account by way of the distribution of 45,000 'A' and 54,000 'B' Convertible Cumulative Preferred Ordinary Shares of £1 each and 318,400 Ordinary Shares of £1 each, credited as fully paid rateably amongst the holders, respectively, of the 'A' and 'B' Convertible Cumulative Preferred Ordinary Shares and the Ordinary Shares in Kitchen Queen Limited. On 7th November, 1978, immediately prior to the sale to the Company, all the Convertible Cumulative Preferred Ordinary Shares in Kitchen Queen Limited were converted into Ordinary Shares.

2. ARTICLES OF ASSOCIATION

The Articles of Association of the Company contain provisions (*inter alia*) to the following effect:—

(i) *Votes of members*
Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, shall have one vote, and on a poll every member who is present in person or by proxy shall have one vote for every share held by him.

(ii) *Directors*
Save as provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
A Director shall not be required to retire by reason of having attained any particular age and he is not required to have a holding of shares in the Company.

(iii) *Borrowing powers*
The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies so as to secure (so far, as regards the subsidiaries, as by such exercise they can secure) that the aggregate amount from time to time outstanding of all borrowings by the Group (as defined), exclusive of borrowings owing by one member of the Group to another member of the Group, shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to four times the Adjusted Capital and Reserves (as defined).

3. PURCHASE OF SHARES BY HALLIDAY, SIMPSON & CO.

Under contract (4) below Halliday, Simpson & Co. ("Halliday Simpson") have agreed, subject to the Council of The Stock Exchange admitting the issued Ordinary Share capital of the Company to the Official List not later than 22nd November, 1978 to purchase 6,812,500 Ordinary Shares of 10p each at a price of 29p per share and to offer such shares for sale to the public. The shares to be purchased by Halliday Simpson will be provided as follows:—

Vendor	*Number of Shares*
N. B. Johnson	4,460,000
S. J. Johnson	264,000
Antonio De Blasio	345,780
Aniello De Blasio	345,780
N. De Blasio	189,440
M. Roussak	187,500
E. Powell	187,500
H. E. Wilson	187,500
Industrial and Commercial Finance Corporation Limited	562,500
Estate Duties Investment Trust Limited	112,500

The Company will pay the costs and expenses of and incidental to its formation, the adoption of new Articles of Association, the increase in and reorganisation of its share capital and the application for the listing of its issued Ordinary Share capital, its accountancy and legal expenses, the costs of printing, advertising and circulating the Offer for Sale, the fees and expenses of the Receiving Bankers and the Registrars and a fee to Halliday Simpson. The aggregate costs and expenses payable by the Company in respect of the Offer for Sale are estimated to amount to £160,000 exclusive of VAT. Halliday Simpson will pay its own legal expenses and commissions to sub-underwriters of 1¼ per cent. on the offer price of each share.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into within the period of two years immediately preceding the date of this Offer for Sale and are or may be material:—

(1) In April 1978 between Kitchen Queen Limited (1) and George Strachan & Sons Limited, J. Cr[illegible] and P. G. Downes (2) whereby it was agreed that Kitchen Queen Limited acquire the whole of the issued share capital of The Room Set Limited for £500 and an undertaking to repay £54,851 [illegible] from The Room Set Limited to George Strachan & Sons Limited;

(2) dated 2nd November, 1978 between Ravenseft Industrial Estates Limited ("Ravenseft") (1) and Kitchen Queen Limited (2) whereby it was agreed that Kitchen Queen Limited would take a lease of land and premises known as Unit 1, Blackrod Estate, Horwich, for a term of 20 years from 25th March, 1979 at a commencing annual rent of £151,350 to be reviewed every five years, and Ravenseft agreed to make certain alterations to the premises in accordance with the plans and specifications attached to the Agreement.

(3) dated 7th November, 1978 between N. B. Johnson and the other members of Kitchen Queen Limited ("the Shareholders") of the one part and the Company of the other part whereby the Shareholders exchanged their shares in Kitchen Queen Limited for fully paid shares in the Company;

(4) dated 8th November, 1978 between the persons listed in paragraph 3 above (1) the Directors of the Company (2) the Company (3) and Halliday Simpson (4) being the contract referred to in that paragraph.

(5) dated 8th November, 1978 being a Deed of Indemnity between the persons listed in paragraph 3 above other than Industrial and Commercial Finance Corporation Limited and Estate Duties Investment Trust Limited (1), each of the companies in the Group (2) and Halliday Simpson (3), relating to the indemnities referred to in paragraph 7 below.

5. SERVICE AGREEMENTS

N. B. Johnson, Antonio De Blasio, Aniello De Blasio, M. Roussak, E. Powell, N. De Blasio and H. E. Wilson have service agreements dated 8th November, 1978 with the Company for a period of five years from 1st November, 1978 at annual salaries (subject to cost of living variations) of £28,750, £20,000, £[illegible], £17,500, £16,000, £20,000 and £11,000 respectively.

NORTH AMERICAN NEWS

Olin and Celanese call off proposed $720m merger

BY JOHN WYLES NEW YORK, Nov 9.

THE PROPOSED $720m merger between two of the top U.S. chemical companies, Celanese Corporation and Olin, was abandoned this morning without any public explanation.

The announcement from the two companies compared in brevity with their declaration on October 3 that they both saw advantages in creating a company with "a broader and more diverse product line." In dollar terms the merger would have been one of the largest in a year littered with actual or proposed combinations exceeding $500m and would have created the sixth largest chemical company in the U.S.

In the absence of explanation, speculation was rife on Wall Street this morning. One analyst, Mr. Paul Christopherson of Kidder Peabody, said he believed several institutional holders of Celanese stock had complained vigorously, arguing that a combination with Olin would dilute the impact of the emerging recovery in the world fibres market on Celanese earnings which, in the third quarter, rose 47 per cent to $2.09 a share.

"A number of institutions had bought the stock in anticipation of rising earnings and increased dividends and they saw these threatened by the merger," declared Mr. Christopherson, adding, "if Celanese holders had wanted to diversify their holdings they could have sold Celanese at $43 a share and bought Olin at $15. They did not need Celanese to buy it at $30."

When the merger was announced, the Dow Jones Industrial Average stood at 867 and its subsequent fall to around 800 is held by other analysts to have reduced the attraction of the merger for both parties. Celanese had agreed to pay $30 a share for up to 30 per cent of Olin's outstanding stock and offer a combination of common and preferred stock for the rest. Since the announcement, however, Celanese stock has fallen from around $46 to a shade over $39 a share.

Spokesmen for both Celanese and Olin said today that they knew of no other possible bidder for Olin. This was in response to Wall Street rumours that a foreign company was about to launch an offer.

Allstate Insurance diversifies

BY STEWART FLEMING NEW YORK, NOV. 9.

ALLSTATE INSURANCE, *one of* the top three U.S. insurance companies with premiums last year of $4.3bn, is undertaking a major diversification by entering the large and medium-sized risk commercial insurance market.

Although the company says that it will enter the market cautiously next year using independent agents rather its own sales force, Allstate's move will bring a major new competitor into this sector of the market. Hitherto, the company has grown to its current size largely through the sale of personal casualty insurance such as car insurance and life insurance through its own sales force of 9,800 people.

Ironically the company is entering the U.S. commercial insurance market for large risks at a time when it is expecting underwriting conditions in the U.S. to deteriorate sharply. Mr. Archie Boe, chairman and chief executive of Allstate, which is a subsidiary of Sears Roebuck, the largest U.S. retail chain store with sales of over $17bn last year, said today that in his view the insurance industry underwriting cycle had peaked.

He predicted that next year, for the industry as a whole, the combined operating and underwriting ratios could go over 100, indicating that the industry as a whole would move into a period of underwriting losses.

One of the factors behind this trend, which will be offset in part by buoyant investment income, is the rapid inflation of claims costs. Mr. Boe said that in an effort to offset the trend, Allstate would be pressing for increases in insurance premiums.

Mr. Boe said that the company anticipated, under the wage and price policy of the Carter Administration, being free to increase premiums by around 9.6 per cent over the next 12 months.

Mr. Boe's announcements came at a meeting of security analysts who follow the shares of Sears Roebuck in New York.

At the heavily attended meeting, Mr. Edward R. Telling, who took over as chairman and chief executive in January, vigorously defended the company.

He said that Sears is implementing a new merchandising strategy with an emphasis on quality merchandise and carefully thought-out promotional schemes.

Partly as a result of steps already taken to improve profit margins, the company is forecasting a "substantial increase in earnings" in the fourth quarter.

Thomson Newspaper advance

BY OUR FINANCIAL STAFF

NET INCOME of Thomson Newspapers of Canada for the first nine months of the current financial year rose sharply from C$31m or 61.8 cents a share to $C39m or 78 cents. Sales revenues advanced from C$183.8m to C$218.6m.

The dividend for the third quarter has been raised from 8.586 cents a share to 11.5 cents.

At the same time, the company revealed the purchase, for an undisclosed amount, of the Desert Dispatch, a daily newspaper in Barstow, California. This acquisition brings the number of newspapers taken over by Thomson this year to five dailies and one weekly in the U.S., and one daily in Canada.

Currency losses hit earnings at ITT

By Our Financial Staff

AFTER a loss on currency translation of $26.1m, net income of International Telephone and Telegraph for the third quarter of the current financial year declined from $150.31m or $1.09 a share to $130.59m or 95 cents a share. Sales for the quarter moved ahead from $3.09bn to $3.32bn.

In spite of this setback, ITT was still able to report record sales and earnings for the nine months period. Net income for the first three quarters was $472.19m or $3.45 a share compared with $440.73m or $3.25 a share, on sales ahead from $9.29bn to $10.56bn.

Mr. Lyman C. Hamilton Jnr., president and chief executive, expressed optimism about results for the full year. "Subject only to extreme weakening or the dollar during the remainder of the year, we should set new highs in sales, net income and earnings per share for the fourth quarter and full year," he said.

Ohio approves Occidental bid

By Our Own Correspondent

NEW YORK, Nov. 9.

ONE OF Mead Corporation's lines of defence against the $1bn takeover bid for the company from Occidental Petroleum appeared to collapse today when Occidental announced that the Ohio Division of Securities had approved the offer.

Later in the day, Mead confirmed the Ohio authorities' findings, but said that it disagreed with the conclusion the Securities Division had reached and would appeal. It claimed that the record on which the Division acted did not include many documents and information which Mead feels are material.

The Division had launched an inquiry into the proposed takeover of Mead, an Ohio-based company, to see whether the Occidental offer complied with Ohio takeover laws.

THE MOTOR INDUSTRY

A sudden chill in the air

BY JOHN WYLES IN NEW YORK

General Motors' decision to cut its dividend gave Wall Street a severe shock. The question now is to what extent the move reflects a change in this year's prospects, not only for GM but also for some of its smaller competitors

ON TUESDAY an air of innocent bewilderment could be encountered in General Motors at the stock market's reaction to the news that the largest U.S. corporation was cutting its dividend payment for 1978. While GM officials were claiming that they were merely exercising the prudent caution for which they are famed, investors in particular and the world in general were behaving as though GM had suddenly brought the outlook into focus and the picture was not a pretty one.

As by far the largest producer of consumer durables, it has become a cliche to say that the auto industry is America's economic barometer. While there may have been some over-reaction in the stock market's 14.81 plunge which followed GM's announcement, it could be said that if the GM announcement did not portent doomsday for the company and the U.S. economy, then investors at least deserved a somewhat fuller explanation than they were given. The company did after all earn $11.62 per share last year and pay out $6.80 to shareholders, and there is no evidence that GM has made any effort to counter expectations that anticipated profits of $12 a share this year would be accompanied by a similar payout. Instead the end year dividend was reduced from $3.25 to $2.50, leaving the total payout for the year at $6. For a company with sales of $61bn and cash assets of around $4.7bn, the saving of $228.5m is somewhat modest.

The question baffling Wall Street, therefore, is what does GM's extreme parsimony tell us about the company and the outlook for the auto industry? In particular, if GM feels there is sufficient uncertainty ahead to justify such prudence, then what may lie in store for its smaller and weaker brethren at Ford and Chrysler? The duo at the top of GM, Mr. Thomas Murphy, the chairman, and Mr. Elliott Estes, the president, attributed the reduced dividend to the need to maintain a strong capital position to meet capital expenditures which will rise from $4.5bn this year to more than $5bn next year. Delphically, they went on to stress that the "corporation's progress will be importantly influenced by the degree to which conditions (including progress in the area of reducing inflation) a more rational regulatory environment and a constructive resolution of the upcoming labour negotiations in 1979 are achieved." In translation, this could mean:

1—With short term interest rates rising and a Government anti-inflation programme whose chances of success are at best modest, we cannot be sure that there will be sufficient economic growth next year to fulfil our expectation that 1979 model year sales will be even better than 1978.

2—Government regulation in the form of mandatory fuel standards is already responsible for the bulk of our enormous capital spending needs and the Government could yet add to the burden by imposing difficult standards for trucks and by outlawing on pollution grounds the fitting of diesel engines in cars.

3—We have to negotiate a new three year contract with the United Auto Workers next year and notwithstanding the anti-inflation programme, we could be the target company for a strike.

GM is now virtually alone in believing that next year's car and truck sales will climb from 15.2m units this year to 15.5m next. The company says that recent interest rate developments have not changed its mind. But if its optimism is proved false then clearly its balance sheet will come under considerable pressure. Most of next year's $5bn capital expenditure is scheduled to come out of internal funds and depreciation and tooling amortisation is expected to climb from $2.95bn this year to $3.55bn next. With this burden, profit margins at a lower point than at any time for 20 years, Government restraint on full recovery of costs through price increases and with 1979 earnings perhaps no higher than $8 per share, then GM's prudent pruning of its dividend may in 12 months' time, earn it some plaudits.

But if GM is taking precautions against a possible chill, then how can Ford and Chrysler be saved from pneumonia?

Since third-quarter earnings figures are always misleading because of plant shutdowns and model changeovers, then not too much should be made of weaknesses at both companies which have recently been made public. However, at Ford there do appear to be at least two causes for concern. The $93m slump in Ford's profits from its North American operations served to underline its extreme dependence on its overseas activities which accounted for $266m of third-quarter net income.

Analysts are now agreed that Ford is losing money on its American car production, but operations are kept profitable by its truck sales. Ford is currently losing passenger car market share to General Motors, for reasons which appear to defy explanation, and if this were to continue at the same time as the domestic U.S. market turned down, then its ability to finance capital expenditures of $3.5bn next year would be strained.

A further pressure on the company's earnings looks likely to be Ford's struggle to meet the final economy requirement of a fleet average of 19 mpg for the 1979 model year. The company is selling its controversial Pinto small car at a loss in order to meet the fleet average and may be losing some sales by its inability to provide V8 engines on request in some cars and pick-ups. Net income for the fourth quarter will be reduced by more than $10m for each week that the strike at its British plants lasts.

Finally, Chrysler's troubles are unlikely to ease much next year, despite the arrival of Mr. Lee Iacocca as president. The company is betting on a new line of full-sized cars to boost its market share of domestically produced cars from 12.6 per cent to 15 per cent next year, but losses this year will exceed $250m and may approach $180m next year.

EUROBONDS

Dollar sector recovers after early setback

BY FRANCIS GHILES

ALTHOUGH THE dollar firmed yesterday and dollar interest rates eased slightly, prices in the dollar sector of the international bond market continued to move sharply in one direction and another as dealers tried to find a new level at which client business could be attracted back.

Prices fell at the start of trading by as much as three quarters of a point across the board but later recovered only to ease at the close. Prices of many issues finished the day at the same levels as Wednesday night. "It is becoming a game of blind man's buff," sighed one dealer who added that the past ten days trading had been among the most difficult he had ever known.

The DM sector also reflected the uncertainty prevailing in the dollar sector and prices ended the day on a soft note. Selling pressure from abroad, a prominent factor on Wednesday, eased yesterday but the fear of increased interest rates remains. Other factors worrying investors are the wide yield gap between dollar and DM denominated bonds especially if the dollar shows signs of picking up further and the possible issue of up to $10bn worth of U.S. foreign currency bonds.

In the sterling sector prices fell in the wake one of the highest rises in the bank rate in 60 years. MLR now stands at 12½ per cent but the fall in prices in this sector is as much a reflection of the thin secondary market as of the rise in interest rates.

Kitchen Queen Group Limited

6. SUBSIDIARY COMPANIES

Name	*Issued Share Capital* £	*Date of Incorporation*
Kitchen Queen Limited	834,800	24th February, 1969
Di Lusso Kitchens Limited	20,000	6th February, 1970
Kitchen Queen (Midlands) Limited	100	26th November, 1973
Kitchen Queen (Leeds) Limited	500	1st July, 1977
Extra Space Limited	100	13th May, 1976
Bedroom Queen Limited	1,000	18th September, 1969
Kitchens Today Limited	100	17th August, 1976
Anglo-Italian Kitchens Limited	100	28th November, 1977

All subsidiaries are private, incorporated in England and are wholly owned by the Company or a subsidiary except for Anglo-Italian Kitchens Limited, in which the Group has a 70 per cent. holding.

7. TAXATION

The Directors have been advised that immediately following this Offer for Sale the Company will not be a close company as defined in the Income and Corporation Taxes Act 1970.

Shortfall and apportionment clearances (as appropriate) have been obtained for the subsidiaries of the Company in respect of the five years ended 31st August, 1978.

Under contract (5) above the shareholders other than Industrial and Commercial Finance Corporation Limited and Estate Duties Investment Trust Limited have given indemnities to the Company, its subsidiaries and Halliday Simpson in respect of estate duty, capital transfer tax and other taxation.

8. DIRECTORS' AND OTHER INTERESTS

Following the sale pursuant to contract (4) above, Directors' interests (within the meaning of the Companies Acts 1948 to 1976) in the Ordinary shares of the Company will be as follows:—

Director	*Number of Shares* *Beneficial*	*Non-beneficial*
N. B. Johnson	7,330,010	400,500
Antonio De Blasio	1,037,340	
Anello De Blasio	1,037,340	
M. Roussak	188,160	3,240,000
E. Powell	188,160	
N. De Blasio	503,320	
H. E. Wilson	188,160	

In addition:—

(i) N. B. Johnson's family have a beneficial interest in 5,328,570 shares (including the 3,240,000 shares held by the trustees of the N. B. Johnson family settlement) representing 21.28 per cent. of the issued share capital.

(ii) N. B. Johnson has granted to Antonio De Blasio, Aniello De Blasio and Nicola De Blasio options to acquire a total of 1,252,200 shares from him.

Following the Offer for Sale Industrial and Commercial Finance Corporation Limited will hold 1,687,500 shares representing 6.74 per cent. and Estate Duties Investment Trust Limited will hold 337,500 shares representing 1.35 per cent. of the issued share capital respectively. The trustees of the N. B. Johnson family settlement will hold 3,240,000 shares representing 12.93 per cent. of the issued share capital, as set out above. Save as disclosed herein the Directors are not aware of any other shareholdings which will immediately after completion of this Offer for Sale represent five per cent. or more of the issued Ordinary share capital of the Company.

The shareholdings of the Directors in the Company arose from the allotment of shares to them as consideration for the transfer of their shares in Kitchen Queen Limited to the Company, and a subsequent bonus issue.

Save as disclosed herein, no Director has since 8th November, 1976 had any interest, direct or indirect, in any asset acquired or disposed of by or leased to the Company or its subsidiaries or which is proposed to be so acquired, disposed of or leased.

There is no contract or arrangement in which any Director is materially interested and which is significant in relation to the business of the Group taken as a whole.

Other than those set out in paragraph 5 above there are no service agreements between any of the Directors and any company in the Group and at present no such agreements are proposed.

The aggregate emoluments of the Directors during the year ended 31st August, 1978 were £105,129. The aggregate emoluments of the Directors during the year ending 31st August, 1979 under the arrangements in force on the date of this Offer for Sale will be £127,730.

9. ASSUMPTIONS AND LETTERS ON TURNOVER AND PROFIT FORECASTS

(a) The turnover and profit forecasts of the Group for the year ending 31st August, 1979 set out above have been based on the unaudited management accounts for the months of September and October, 1978 and on the following principal assumptions for the remainder of the period:—

(i) The current trends of sales and profit margins are maintained.

(ii) The Group's profits will not be significantly affected by any legislation introduced during the course of the financial year.

(iii) Inflation will be at an annual rate of 10 per cent.

(iv) The Group, its suppliers and its customers will not be affected by serious industrial disputes.

In arriving at the forecasts no account has been taken of turnover or profitability of additional proposed retail outlets.

(b) The following are copies of letters which have been received by the Directors:—

Hilton Chambers,
15 Hilton Street,
Manchester M1 1JL.
8th November, 1978.

The Directors,
Kitchen Queen Group Limited

Dear Sirs,

The turnover and profit forecasts of Kitchen Queen Group Limited and its subsidiary companies ("the Group"), for which the Directors are solely responsible, as set out in the Chairman's letter included in the document to be dated 9th November, 1978, issued in connection with an Offer for Sale of 6,812,500 Ordinary Shares of 10p each, include results shown by unaudited management accounts for the two months ended 31st October, 1978. We have reviewed the accounting policies and calculations adopted in arriving at the turnover and profit forecasts. In our opinion the forecasts, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors set out in the document referred to above and are presented on a basis consistent with the accounting policies normally adopted by the Group according to the historical cost convention.

Yours faithfully,
ROYCE, PEELING, GREEN & CO.,
Chartered Accountants.

98 King Street,
Manchester M60 2HA.
8th November, 1978.

The Directors,
Kitchen Queen Group Limited

Dear Sirs,

We have discussed with you and with Royce, Peeling, Green & Co. the turnover and profit forecasts of Kitchen Queen Group Limited and its subsidiaries for the year ending 31st August, 1979 set out in the Offer for Sale to be dated 9th November, 1978. In our opinion, the forecasts and the assumptions on which they are based, for which the Directors are solely responsible, have been made after due and careful enquiry.

Yours faithfully,
HALLIDAY, SIMPSON & CO.

10. GENERAL

1. The Directors of the Company are of the opinion that, having regard to the cash resources, and available bank facilities, the Group has sufficient working capital for its present requirements.

2. A claim has been made against Di Lusso Kitchens Limited for £243,750 and damages. The liquidated claim has been substantially denied and the claim for damages has not been actively prosecuted. A reserve in respect of this claim has been made in the accounts of Di Lusso Kitchens Limited and is considered to be adequate.

Save as aforesaid, neither the Company nor any of its subsidiaries is engaged in any material litigation or has, so far as the Directors are aware, any litigation or claims of material importance pending or threatened against it.

3. Royce, Peeling, Green & Co. have given and not withdrawn their written consent to the issue of this Offer for Sale with the inclusion therein of their report and their letter in the forms and contexts in which they are included.

4. Halliday Simpson have given and not withdrawn their written consent to the issue of this Offer for Sale with the inclusion therein of their letter in the form and context in which it is included.

5. Copies of the above mentioned consents, a statement of the adjustments made by Royce, Peeling, Green & Co. in arriving at the figures set out in their report and the reasons therefore, and the contracts listed above were attached to the copies of this Offer for Sale and the forms of application delivered to the Registrar of Companies for registration.

6. The following documents or copies thereof may be inspected at the offices of Halliday, Simpson & Co., 98 King Street, Manchester M60 2HA and 73 Cheapside, London EC2V 6ES during usual business hours on any weekday (Saturdays excepted) for a period of fourteen days from the date of publication of this Offer for Sale:—

(a) the Memorandum and Articles of Association of the Company.
(b) the audited consolidated accounts of Kitchen Queen Limited for the two financial years ended 31st August, 1978.
(c) the material contracts referred to above.
(d) the service agreements of the Directors referred to above.
(e) the report of Royce, Peeling, Green & Co., their statement of adjustments, their letter dated 8th November, 1978 and their written consent.
(f) the letter dated 8th November, 1978 from Halliday, Simpson and their written consent.

PROCEDURE FOR APPLICATION

Except for employees' applications referred to below, applications (which must be for a minimum of 500 shares and in multiples of 500 shares up to 5,000 shares, and thereafter in multiples of 1,000 shares) must be made on the Application Forms provided and forwarded to Lloyds Bank Limited, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU to arrive not later than 10 a.m. on Wednesday, 15th November.

Each Application Form must be accompanied by a separate cheque (which must be drawn on a bank in and be payable in England, Scotland or Wales) in respect of the full amount payable on application, made payable to "Lloyds Bank Limited" and crossed "Not Negotiable". No applications will be considered unless the above conditions are fulfilled.

Halliday, Simpson & Co. reserve the right to present all cheques for payment on receipt, to retain Letters of Acceptance and surplus application moneys pending the clearance of all cheques, to accept in part only or to reject or scale down applications and, in particular, multiple or suspected multiple applications and applications for an undue number of shares. Due completion and delivery of a Form of Application accompanied by a cheque will constitute a representation that the cheque will be honoured on the first presentation; attention is drawn to the declaration in the Form of Application to that effect.

Preferential consideration will be given in respect of a maximum of 681,250 Ordinary Shares to applications made by employees of the Company on the special pink forms provided for this purpose. Such applications must be for a minimum of 200 shares and in multiples of 100 shares.

Acceptance of applications will be conditional upon the Council of The Stock Exchange admitting the whole of the issued share capital of the Company to the Offical List of The Stock Exchange, not later than 22nd November, 1978. Moneys paid in respect of applications will be returned if such admission to the Official List has not been granted by that date and, in the meantime, will be retained by Lloyds Bank Limited in a separate account.

If any application is not accepted, the amount paid on application will be returned in full and, if any application is accepted for fewer shares than applied for, the balance of the amount paid on application will be returned by cheque through the post, in either case without interest and at the applicant's risk.

Letters of Acceptance will be renounceable up to 5th January, 1979. The shares now being offered for sale will be registered free of stamp duty and registration fees in the names of the purchasers or persons in whose favour Letters of Acceptance have been renounced, provided that, in the case of renunciation, Letters of Acceptance duly completed in accordance with the instructions contained therein are lodged for registration on or before 5th January, 1979. Share certificates will be despatched on 2nd February, 1979.

Copies of this Offer for Sale with ordinary Forms of Application may be obtained from:—

Halliday, Simpson & Co.,

98 King Street, Manchester M60 2HA.
73 Cheapside, London EC2V 6ES.
15 Wynnstay Road, Colwyn Bay, North Wales LL29 8NN.
3 Devonshire Square, Bexhill-on-Sea, Sussex TN40 1AJ.
14 Charing Cross, St. Helier, Jersey, Channel Islands.
2 Water Street, Ramsey, Isle of Man.
Pall Mall Court, 61 King Street, Manchester M2 4PD.

Algemene Bank Nederland NV
61 Threadneedle Street, London, EC2P 2HH.

Lloyds Bank Limited,
Registrars Department, Issue Section,
111 Old Broad Street, London EC2N 1AU,

and the following branches of **Lloyds Bank Limited**:—

Cox's & King's Branch, 6 Pall Mall, London SW1Y 5NH
P.O. Box 358, 53 King Street, Manchester M60 2ES
53 Corporation Street, Coventry CV1 1GN
P.O. Box 108, India Buildings, Water Street, Liverpool L69 2BT
P.O. Box 153, 55 Corn Street, Bristol BS99 7LE
P.O. Box 10, 19-21 High Street, Southampton SO9 7AN
P.O. Box 96, 6-7 Park Row, Leeds LS1 1NX
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131 George Street, Edinburgh EH2 4LQ
P.O. Box 81, 28 High Street, Cardiff CF1 2RT

Dated 9th November, 1978

THE APPLICATION LIST WILL OPEN AT 10 a.m. ON WEDNESDAY, 15th NOVEMBER, 1978 AND WILL CLOSE AT SUCH LATER TIME ON THE SAME DAY AS HALLIDAY, SIMPSON & CO. MAY DETERMINE.

This Form should be filled in and forwarded to Lloyds Bank Limited, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU with a cheque for the full amount payable on application, so as to arrive not later than 10 a.m. on Wednesday, 15th November, 1978. Cheques, which must be drawn on a bank in and be payable in England, Scotland or Wales, must be made payable to "Lloyds Bank Limited" and be crossed "Not Negotiable" and are liable to be presented for payment on receipt. A separate cheque must accompany each application.

Applicants are advised to use first class post and to allow two days for delivery.

Form of Application

Halliday, Simpson & Co.

Offer for Sale

6,812,500 Ordinary Shares of 10p each at 29p per share (payable in full on application) of

Kitchen Queen Group Limited

To: HALLIDAY, SIMPSON & CO.

Gentlemen

Number of shares for which application is made★	*Amount of cheque enclosed★★*
	£

I/We enclose a cheque payable to Lloyds Bank Limited for the above-mentioned sum, being the amount payable in full on application for the stated number of the above Ordinary Shares of 10p each at 29p per share and I/we offer to purchase that number of shares and I/we agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of your Offer for Sale dated 9th November, 1978 and subject to the Memorandum and Articles of Association of the Company. I/We request that you send to me/us a fully paid renounceable Letter of Acceptance in respect of such Ordinary Shares, together with a cheque for any amount overpaid, by post at my/our risk to my/our address first given below.

An applicant who is unable to make the following Declaration should delete it and consult an Authorised Depositary* (or an Approved Agent in the Republic of Ireland†) through whom lodgement should be effected.

I/We declare that I am/we are not resident outside the Scheduled Territories‡ and am/are not acquiring the Ordinary Shares as the nominee(s) of any person(s) resident outside those Territories.

I/We understand that the completion and delivery of this Application Form accompanied by a cheque will constitute a representation that the cheque will be honoured on first presentation. I/We acknowledge that Letters of Acceptance and cheques for excess application moneys are liable to be held pending clearance of applicants cheques.

Date ______ Signature 1 ______

PLEASE USE BLOCK LETTERS FOR EACH ENTRY

← Forename(s) (in full)
← Surname and designation (Mr., Mrs., Miss, Ms or title)
← Address (in full)

2 ______ *Signature*

Forename(s) (in full) ______ *Surname and designation (Mr., Mrs., Miss, Ms or title)* ______

Address (in full) ______

Please pin top left corner of cheque here

3 ______ *Signature*

Forename(s) (in full) ______ *Surname and designation (Mr., Mrs., Miss, Ms or title)* ______

Address (in full) ______

4 ______ *Signature*

Forename(s) (in full) ______ *Surname and designation (Mr., Mrs., Miss, Ms or title)* ______

Address (in full) ______

ALL JOINT APPLICANTS MUST SIGN

A corporation should sign under the hand of a duly authorised official who should state his representative capacity.

No receipt will be issued for the payment on application but an acknowledgement will be forwarded in due course through the post by fully paid renounceable Letter of Acceptance and/or return of application moneys or any excess thereof.

EXCHANGE CONTROL ACT 1947

*Authorised Depositaries are listed in the current issue of the Bank of England's Notice E.C.1 and include most banks and stockbrokers in, and solicitors practising in, the United Kingdom, the Channel Islands or the Isle of Man.

†An Approved Agent in the Republic of Ireland is defined in the current issue of the Bank of England's Notice E.C.10.

‡The Scheduled Territories at present comprise the United Kingdom, the Channel Islands the Isle of Man, the Republic of Ireland and Gibraltar.

★Applications must be for a minimum of 500 shares; applications for up to 5,000 shares must be in multiples of 500 shares and thereafter in multiples of 1,000 shares.

★★Amount payable on application

500 Shares	£145	2,000 Shares	£580	3,500 Shares	£1,015	10,000 Shares	£2,900
1,000 Shares	£290	2,500 Shares	£725	4,000 Shares	£1,160	20,000 Shares	£5,800
1,500 Shares	£435	3,000 Shares	£870	4,500 Shares	£1,305	50,000 Shares	£14,500
				5,000 Shares	£1,450	100,000 Shares	£29,000

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Upturn in sight at Total group

BY DAVID CURRY PARIS, Nov. 9.

CONSOLIDATED FIRST half results from the Compagnie Frances des Petroles, Total, indicate that it may be beginning to climb out of the worst of the recession.

The main basis for this hope is a relatively modest improvement in cash flow from FFr1.49bn to FFr1.66bn, ($391m), coupled with recent forecasts that it should start to generate an annual cash flow next year in the order of FFr4-5bn.

In addition, the FFr586m capital increase which took place during the summer, but falling in the second half of the financial year, will give the group a healthier year-end balance between capital and debt.

The first half results more or less reproduce those achieved last year. Turnover was up from FFr27.57bn to FFr28.34bn, reflecting the increased tonnage marketed, since the depreciation of the dollar was around 5 per cent.

Production is still the brightest spot, with Frigg, Ekofisk and Witte Water beginning to yield gas in the second half of last year.

Net profit was FFr 309m against FFr 318m, but after deduction of minority interests, the group's own share in earnings was up from FFr 230m to FFr 260m.

Depreciation and provisions were pushed up from FFr 1.17bn to FFr 1.35bn, due largely to higher contributions to the amortisation of North Sea operations. Investments fell slightly short of cash flow.

The refining sector, though over the worst, continues to be the black spot. The fixed ex-refinery prices are too low for the group's comfort and the refining subsidiary CFR expects a poor second half.

Total, like other groups operating in France, is adjusting to the new regime of partial liberation of petrol prices and the semi-retreat by the government from the wholesale organisation of the market for oil products. Having initially implemented the maximum amount of rebate allowed at the petrol pump of 10-12 centimes a litre, Total has now cut its discount in half.

● SEV, Societe pour l'Equipment de Vehicules, manufacturers of auto parts, reports consolidated sales of FFr1.72bn for the first nine months of 1978, an increase of 8.2 per cent on the like year-ago period. The company expects to achieve sales of FFr2.4bn for the whole of the year, a rise of a tenth over 1977.

German cartel office rules against Levi

BY LESLIE COLITT BERLIN, Nov. 9.

THE West German Cartel Office has ruled against Levi Strauss Germany's refusal to supply a retail chain in West Germany with Levi clothing because of the customers discount price policy. The refusal to deliver is said to violate a "ban on discrimination" applyin gespecially to companies with a strong market position.

The Cartel Office in West Berlin argues that Levi jeans have such a "high prestige value" in the market place that jeans shops must stock Levi jeans in order to remain competitive.

West Germany is Europe's leading market for blue denim wearing apparel which, although as high priced as most other clothing in Germany, is being subjected to a flood of competitively priced imports.

Levi Strauss Germany is said to have halted deliveries to a jeans supermarket which was different from other outlets mainly because of its "simple interior and low prices."

Only last month the Cartel Office fined the West Germany representative of Wrangler, the jeans and sports wear manufacturer DM 49,000 for circumventing a ban on price maintenance in West Germany.

The representative sent notice to customers that they would be cut off from shipments if they did not "stop ruinous pricing which is not based on commercial calculation." One of Wrangler's customers was said to have been excluded from deliveries and the Cartel Office fine was appealed by Blue Bell Gmbh, Wrangler's representative.

Alsthom Atlantique

Alsthom Atlantique's net group sales rose to FFr 7.12bn in nine months ended September 30, compared with FFr 6.85bn, an increase of 4 per cent. Parent company sales were FFr 4.94bn against FFr 4.50bn. Reuter

Active year for Dutch investment fund

By Charles Batchelor

AMSTERDAM, Nov. 9.

ROLINCO, the Dutch share investment fund, was "very active" on the world's stock markets last year but still maintained nearly 10 per cent of its assets as cash.

The large cash element was kept because of the continuing offerings of the company's own shares and the ever-present danger of serious currency unrest, Rolinco states in its annual report for the year ended August 1978.

The fund, which is part of the Robeco group, was also forced to hedge almost its entire American portfolio by the end of the year to insure against a further decline of the dollar. Against these defensive tactics, the company pursued an agressive selling and buying policy.

It made net sales of Fl 53m ($26m) of U.S. stocks. Considerable purchases were made in the technological sector where attractive growth possibilities were seen while the same argument was applied to purchases of shares like Warner Communications and Pepsico. Holdings in Bank-America Corporation and City Investing were considerably extended while profits were taken on Bausch-Lomb, Asarco, Safeway Stores, Signal Gorporation and General Electric, among others.

In Europe, with the exception of France, the emphasis was on disposals. In Holland sizeable holdings of Philips and Royal Dutch were reduced while Ennia was bought as part of an increased emphasis on the financial sector. German holdings were reduced, notably shares in the chemical and department store sectors.

Rolinco increased its previously small interest in French stocks on the basis of the Government's measures to strengthen trade and industry. Purchases were made of Carrefour, Peugeot-Citroen, Michelin and Club Mediterranee. In the UK Rolico sold 125,000 Beecham shares.

It used strong price rises in pharmaceutical and public works company stocks on the Tokyo Stock Exchange to take profits. Net sales were Fl 55m.

As already reported, net assets rose to Fl 2.5bn ($1.24bn) from Fl 2.4bn during the year. Net profit fell Fl 3m to Fl 80m, while the value of individual shares rose 18 per cent to Fl 144.

M.A.N. OF WEST GERMANY

Taking the road to North America

BY KENNETH GOODING, RECENTLY IN MUNICH

WEST GERMAN heavy truck builder, Maschinenfabrik-Augsburg-Nuernberg (M.A.N.) is to spend at least DM 135m ($72m) to establish a firm foothold in the medium sector of the market both in Europe and the U.S.

Mr. Otto Voisard, the main Board director who is chairman of M.A.N.'s commercial vehicles division, gave the first details of the expenditure programme when he outlined the various options being considered by the group following its acquisition of a 12.6 per cent stake in White Motor of the U.S.

He also gave a progress report on the joint venture in Europe with Volkswagen.

M.A.N., which is 75 per cent owned by Gutehoffnungshuette, Europe's major engineering group, reached agreement with Volkswagen a year ago to develop a range of 6 ton to 9 ton trucks, an area of the market not covered by either at present.

VW will make the cabs, rear axles and gearboxes for the new truck range while M.A.N. will make the engines, frames, front axles and special bodies.

The project is "ahead of schedule" and the first trucks will be on show at the Frankfurt Motor Show next September.

Mr. Voisard revealed that M.A.N. will spend DM 90m to DM 100m on the joint venture over the two years to the end of 1979. About two-thirds will be spent on the new diesel engine range, called the D02.

There will be a four-cylinder, 90 horse-power version of the D02; a six cylinder, 136 hp version and a turbocharged version of the six cylinder, developing 170hp.

Introduction of the 170hp engine is to be speeded up. For it will be used to power a medium sized—"class 6"—truck to be designed and produced jointly by M.A.N. and White for launch in the U.S. early in 1980.

It will probably take another two months to finalise the legal details for M.A.N.'s $15.6m purchase of new White shares and get the project under way.

So far M.A.N. has not been selling trucks in the U.S., but like other European manufacturers, is now attracted by the prospects for the change from petrol to diesel engines in the States.

By the early 1980s, it is expected that around 200,000 class 6 trucks (9 tons to 11.8 tons) a year will be sold in the U.S. "and we expect half of them to have diesel engines compared with 15 per cent today."

Like many other European manufacturers, MAN finds the North American truck market attractive given the long-term trend in demand away from petrol to diesel driven vehicles. By the early 1980s, the West German company expects to be selling something like 200,000 trucks a year in the U.S.

White no longer makes its own engines and as a first step in the relationship, M.A.N. hopes to sell some of its successful 280hp diesel engines in White trucks as soon as possible. White, like M.A.N., concentrates on the heavy end of the business and currently offers nothing under a 15-tonner.

Discussing the future with White, Mr. Voisard commented: "We feel it would be wiser to develop a truck for the U.S. market in the U.S. and hope we can use some European components in it."

M.A.N.'s research indicates that capital-intensive products like the new engine and rear axles could be competitive in the States as long as the dollar retains a reasonable value of about DM2.

However, "we would be willing to make the new truck entirely from U.S. components if this is required to make it a success," Mr. Voisard declared.

M.A.N.'s commercial vehicle division turnover in the financial year to June 30 was up by around 20 per cent at DM2.98bn (roughly $1.6bn) and represented about half of M.A.N.'s total sales. In the calendar year 1977, the division delivered 18,800 trucks and 2,500 buses, an increase of 3,000 vehicles.

Mr. Voisard said the division expects to maintain that rate of vehicle sales this year, while turnover should increase more than inflation, which is currently 3 to 4 per cent in the truck sector in West Germany.

M.A.N.'s performance is being buoyed up by the recovery of West Germany's construction business—where it has a strong supplier position—and a major DM 17m four-year contract to supply military trucks to the West German Army.

Mr. Voisard said that discussions on another major overseas venture, a truck assembly plant in Algeria in partnership with the Algerian government and other German groups, had slowed.

The original idea was to establish a completely new industry to produce about 30,000 trucks and buses a year and the cost was estimated at DM 8bn. Now the scheme is being re-evaluated to see if it should be scaled down and whether existing facilities in Algeria can be used.

MEDIUM-TERM CREDITS

Quebec to raise $300m

BY OUR EUROMARKETS STAFF

THE BANK of Nova Scotia is arranging a $300m ten-year Euromarket financing for the Province of Quebec. The credit is being privately placed among a small group of international banks.

The spread arrangement is ⅞ per cent over interbank rates for the first two years, and ⅞ per cent for the remaining eight.

A $500m loan package for the province raised earlier this year through Royal Bank of Canada and Orion Bank carried the same terms. More recently, the province also raised a $100m 15-year private placement at undisclosed rate with a group of Japanese banks.

The latest $300m will be used for general budgetary purposes.

Japan's Sanwa Bank has been awarded a mandate to arrange a $125m loan for the Argentinian hydroelectric concern, Comision Tecnica Mixta de Salto Grande.

The loan carries a 12-year maturity, and should be launched with the same spread as the recent $250m credit raised for the Argentinian state oil agency, YPF—a spread of ⅞ per cent for the first six years and ⅞ per cent thereafter.

Sanwa is now forming a management group, which will probably be composed mainly of Japanese bulk.

The $125m credit will be used for general purposes, and is not tied to exports. But it is understood that Japanese companies may play a future role in developing the extensive Salto Grande hydroelectric scheme, a joint veture between Argentina and Uruguay.

Hifroelectrica Espanola is arranging an $80m ten year loan with four years grace on a spread of ⅞ per cent throughout via a groups of banks led by Manufacturers Hanover and Banco Espanol de Credito.

Meetings between the banks managing the $1.15bn loan for Nigeria and the Nigerians in London earlier this week have cleared the remaining problems of documentation, one of the loan managers said yesterday. The loan is expected to be signed before the end of the month. The sell down to participants outside the management group is still short of $100m. Nigeria's foreign reserves fell by a further $300m in September to $1.56bn.

It is understood that the terms of draw-down for the funds are similar as to those on the last $1bn loan. This means that draw-downs are not tied to progress on any of the projects which the loan is to help finance. A spokesman for the management group would not comment on the possibility that the German banks might have made separate arrangements direct with the Nigerians on how the DM 750m equivalent, originally to have been a separate project financing, should be handled after draw-down.

On present plans the loan will be signed in Frankfurt on November 30, about two months later than originally planned.

Foreign banks apply to open in Spain

MADRID, Nov. 9.

FOURTEEN FOREIGN banks have so far applied to the Spanish banking authority for permission to establish full operative offices in Spain.

According to informed banking sources here, six of the banks are of U.S. origin — Citibank, Morgan Guaranty, Chemical Bank, Manufacturers Hanover, Continental Illinois and Chase Manhattan.

The list is completed by three French banks, Banque Nationale de Paris, Banque de Suez et d'Indochine, and Banque de Paris et des Pays Bas, three West German banks, Dresdner Bank, Deutsche Bank and Commerzbank and two British banks, National Westminster and Barclays Bank, the sources said.

The required documents for installation were sent last Monday to the Spanish Banking Council.

Reuter

Sharp rise in foreign orders for Hochtief

BY ADRIAN DICKS BONN, Nov. 9.

WEST GERMANY'S biggest building contractor, Hochtief appears so far to have felt little benefit from the domestic boom in the industry. In an interim report to shareholders, it revealed today that overseas business — the mainstay of the industry for several lean years —is still growing appreciably faster than that at home.

In the first nine months, Hochtief stated, domestic completions at DM 1.3bn ($700m) were slightly below last year's while for the full year they would be no more than equal to 1977. Construction completions abroad, however, were up no less than 47 per cent to DM 1.6bn.

While it does not reveal profit and loss figures, the interim report also makes it clear that the enormous increase in the domestic construction sector this year has not necessarily been helpful to companies' results. Skilled labour has been short and costs are reported to have risen sharply.

Hochtief describes its domestic results as "disappointingly thin," while those on foregn projects were satisfactory.

Hochtief has been among those German contractors who have won several large orders in the Middle East, among them the construction of Jeddah's new airport and the building of the two German nuclear power stations at Bushihr in Southern Iran.

Although the company says it began to feel some increase in domestic business after the middle of this year, orders within West Germany rose only 10 per cent in the first nine months, while those from overseas soared by 54 per cent, thanks in part to major contracts won in Venezuela and Guatemala.

As a result, Hochtief's order books now show DM 3.3bn of overseas work in hand, or more than twice as much as the DM 1.5bn which the group has in prospect in Germany.

West German insurance outlook

By Our Financial Staff

A SLOWER rate of growth for premium income was forecast yesterday for insurance companies in West Germany in a guardedly gloomy report from the insurance industry association, the GDV.

Premium income of most companies is expected to rise 9 per cent this year to around DM 61bn ($32.5bn) after an increase of 10.3 per cent to DM 55.9bn in 1977. Stating this at its annual meeting, the association said poor business in damage and loss insurance coupled with cost problems would contrast with gains registered in motor, life, private health and general accident insurance.

The association represents 95 per cent ofthe domestic insurance market in Germany and includes German subsidiaries of UK, Swiss and Austrian companies.

Earnings from non-actuarial business this year would "have to cover actuarial losses to a greater degree in 1978 than in previous years." Profits of indemnity insurance firms in particular would arise chiefly from higher capital asset earnings. This sector has been the most affected by industry's reluctance to invest, continued high unemployment, and from rising prices and costs. Capital assets held by German insurers would probably reach around DM 230bn by the end of 1978, compared with DM 203.1bn a year earlier.

Douwe Egberts buy

Douwe Egberts, the Dutch packaged food concern, has acquired through its division Moccomat International BV, a controlling interest in Coinamatic Laundry Equipment from Oshawa Group of Canada, AP-DJ reports from Amsterdam.

Coinamatic has been the sole UK distributor for Moccomat Beverage Systems, an important Douwe Egberts product line. The acquisition will further facilitate market development for the Moccomat sales and service organisation in Britain.

Usinor sales ahead

Major French steel producer, Usinor, reports sales of FFr 8.24bn ($1.9bn) compared with FFr 7.23bn for the first nine months of 1978. The company produced 6.85m tons of steel during the period, up from 6.27m tons a year earlier.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on November 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

[illegible]

Dividend up and profit rise for Bank of Australasia

BY JAMES FORTH

SYDNEY, Nov. 9.

THE NATIONAL Bank of Australasia has raised its dividend following an 8.3 per cent gain in profit for 1977-78, but the smaller Bank of Adelaide suffered its third decline in earnings in the past four years.

Both banks followed the trend to disclose previously hidden reserves—the National revealed inner reserves of A$96.2m (U.S.$110m), while the Bank of Adelaide's figure was A$4.71m. The Australia and New Zealand Banking Group, which is due to announce its profit soon, is the only bank still to disclose its inner reserves.

The National's profit rose from A$42.7m to A$46.3m (U.S.$53.2m). The result excluded the provision for contingencies, previously undisclosed, of A$7.28m which would have lifted earnings to A$53.5m.

Earnings from the banking operations rose 21.5 per cent, from A$22.25 to A$27.0m, but, as announced earlier this week, the finance subsidiary, Custom Credit Corporation achieved only a marginal increase of 0.4 per cent to A$18m, while earnings from other, non-banking operations *fell 41 per cent.*

Of the A$96m in inner reserves A$47.8m related to trading bank contingency reserves, and A$19.8m to savings bank contingency reserves. The provision for long service leave and retiring allowances was shown at A$22.7m, although the directors said that A$17.6m of this amount had been previously disclosed.

As with the other banks, the national does not reveal its bad and doubtful debts, although the directors said that it was standard practice to make adequate provision, based on experience.

The National has increased its dividend from 14.5 cents a share to 15 cents.

Profit of the Bank of Adelaide eased from A$6.9m to A$6.85m (U.S.$7.9m) in the year to September, although earnings from banking *rose* 20.2 per cent to A$2.92m. The downturn again lay in the wholly owned finance company, Finance Corporation of Australia, which suffered a drop in profit from A$4.36m to A$4.21m. The Banking sector contributed 42.6 per cent of group earnings, compared with 35.2 per cent in the previous year. The dividend is held at 14.5 cents a share, and is covered about 1.5 times.

Setback for another Japanese shipbuilder

By Our Financial Staff

HITACHI Shipbuilding and Engineering has added to the string of Japanese shipbuilders reporting sharply reduced profits for the first half, with a fall of 64 per cent to Y1.05bn ($5.6m) net, from Y2.90bn in the same period last year.

This follows a fall of 75 per cent, to Y1.62bn at Ishikawajima - Harima Heavy Industries, and of 38.4 per cent to Y2.82bn at Kawasaki Heavy Industries, together with a swing to a deficit of Y2.92bn at Mitsui Engineering and Shipbuilding, from a profit of Y1.95bn.

The Japanese shipbuilders are engaged in cutting back their production capacity, and redeploying workers to other sides of their activities, on the recommendation of the Japanese Shipbuilding Nationalisation Council.

Hitachi Shipbuilding's sales for the half-year declined 15.1 per cent to Y125.19 bn ($666m), from Y147.53bn.

SYNTHETIC FIBRES

Toray and Asahi recover strongly

BY YOKO SHIBATA

TOKYO, Nov. 9.

JAPAN'S two major synthetic fibre manufacturers, Toray and Asahi Chemical, made a strong recovery in the half-year to September.

Toray's current profits reached Y7.54bn ($40m), compared with a deficit of Y1.25bn a year earlier. After appropriating Y1bn to internal reserves against price fluctuations, Toray's net profits were Y3.15bn, up 349.2 per cent. Sales, *however*, at Y204.47bn ($1.1bn), were down slightly, by 0.5 per cent.

Asahi Chemical's current profits increased by 160 per cent to Y8.62bn ($45.9m), and net profits by 35 per cent to Y3.17bn, on sales of Y211.54bn, down 6.2 per cent from the first six months of 1977-78.

Helping the recovery was a market rally in synthetic fibres, with the extension of recession cartels, and the reduction in the import price of raw materials and fuels, with the appreciation of the yen.

Toray was caught in the backlash of the rapid appreciation of the yen, since its exports accounted for a relatively high proportion of 29 per cent of total turnover. The company's average yen-dollar exchange rate during the period appreciated by 15 per cent, which incurred an exchange loss of Y7.5bn. Three-quarters of exchange loss was offset by strong rationalisation measures, such as the cutback of personnel, and by price increases. Toray's synthetic fibre exports were still below cost, but recovered from a large deficit a year earlier. The company's high added-value products, such as synthetic leather, ecsaine or polyester film were the main contributors to the earning recovery.

Asahi Chemical's efforts to bolster its non-textile division and diversify its business, were rewarded. The company's non-textile division, which accounts for 54 per cent of sales in the first-half — offset deficits in the synthetic fibre division. The yen appreciation incurred a Y4.4bn exchange loss on its exports, which accounted for 16 per cent of the total turnover. The company offset this loss only as to Y1.2bn by rationalisation steps.

For the latter half of the current fiscal year, ending in March, *both companies expect further* improvement from rationalisation and recession cartel effects.

Today's sales for the current full year are estimated at Y410bn (up 0.6 per cent), current profits at Y16.5bn (from a deficit of Y929m in 1977), and net profits at Y7.5bn (up 690 per cent). Asahi expects its sales to be Y425bn (down 40 per cent), current profits Y17.5bn (up 137 per cent) and net profits Y6.4bn (up 31 per cent).

Pharmaceutical earnings improve

TWO OF Japan's leading pharmaceuticals manufacturers have reported increased earnings for the six months to September.

Takeda Chemical Industries, the leader, raised after-tax profits by 55.6 per cent to Y6.35bn ($33.8m), from Y4.08bn, with its sales rising by 11.3 per cent to Y186.65bn ($993m). The interim dividend, however, in unchanged at Y3.75.

Sankyo Company's after-tax profits were up 21.1 per cent to Y1.55bn ($8.2m), from Y1.28bn, while sales gained 18.9 per cent to Y62.73bn ($334m), from Y52.78bn. The interim dividend is held at Y3.75.

Reuter

Huletts says sugar setback to continue

DURBAN, Nov. 9.

HULETTS CORPORATION still expects net earnings of the sugar division to be lower this year than in 1977-78, despite some improvement in export realisations since its last forecast.

The company earlier reported pre-tax profit rose to R14.6m ($16.8m) from R12.8m for the half-year ended September 30 on turnover of R159.5m ($183.3m) against R147.2m.

However, the Sugar Association is negotiating the raising of medium-term funds for injection into the price stabilisation fund, which if successful, could mean higher earnings from the sugar division for the year than now assumed.

Huletts said it expects the paper and transport divisions would increase earnings in 1978-1979 while those from other activities should be about the same as in the previous year.

Pre-tax profit in the year ended March 31 was R27.7m ($31.8m) on turnover of R300.2m ($344m).

Reuter

Advance at Rand Mines

By Our Financial Staff

RAND MINES PROPERTIES, of South Africa, the subsidiary of Barlow Rand, raised its after-tax profit by 19.6 per cent in the year to September 30, to R3.74m ($4.3m), from R3.13m in 1976-77. The dividend is raised to 15 cents a share, from 14 cents.

The company's turnover fell, however, by 4.8 per cent to R20.0m ($23m), from R21m.

Before tax, there was a rise in profits to R4.11m, from R3.3m.

Big gains by finance house

By Dai Hayward

WELLINGTON, Nov. 9.

THE BANK of New Zealand Finance Company, which last year merged with NZ International, raised its profits by almost 100 per cent in the six months to September 30, to NZ$411,000 (U.S.$437,000) after tax.

A pre-tax provision of NZ$90,000 was made for unidentified financing losses. No similar provision was made last year. The measure is described by the directors as prudent in the going conditions. The merger with NZ International, the directors said, had lived up to expectations. There had been expanded demand for the company's services. Conditions in the money market were buoyant. Measures had been taken to hedge against interest rate changes which may occur.

The company recently announced a one-for-four share issue, but the new shares do not qualify for the interim dividend of 6 cents.

Swiss venture in Hong Kong

HONG KONG, Nov. 9.

STELUX Manufacturing company and Ebauches Electroniques SA Marin of Switzerland have agreed on a joint venture to produce liquid crystal display modules in Hong Kong, the Swiss Watch Information Service announced.

Under the agreement, Ebauches Electroniques will supply parts and technological support for mass production of multi-function and betalite modules by Stelux's module manufacturing subsidiary Modutek.

Stelux said the modules will be used by it and Ebauches Electroniques companies in their own watches, but the venture would probably sell to other manufacturers as well.

Reuter

AustIran recovery plan

NONE OF the creditors in the recovery plan announced for AustIran, the joint venture between Iranian Government agencies, the National Bank of Australasia and Darling Collett International, is to be paid in full.

The creditors in the recovery plan are National Bank of Australasia, Sea Containers Atlantic, Th. Brovig, Wesfarmers, Gulftainer, Liner Services, TT Club, and Shell.

Sea Containers Australia is to acquire a 27.5 per cent shareholding and Th. Brovig a 10 per cent, from the National Bank of Australasia.

Sea Containers Atlantic is owed U.S.$3.5m and the National Bank approximately U.S.$2m.

AustIran is now owned: 40 per cent by Iranian Government agencies; 10 per cent by Industrial Mining and Development Bank of Iran; 27.5 per cent by Sea Containers Australia; 10 per cent by Th. Brovig; and 12.5 per cent by Darling Collett International.

This corrects some points in the report on the rescue plan published on Wednesday.

Japanese bankruptcies increase

TOKYO, Nov. 9.

JAPANESE corporate bankruptcies in October totalled 1,387, up 17.1 per cent from September, but down 13.1 per cent from a year earlier, Teikoku Koshinsho, the private corporate credit inquiry agency said here today.

Another corporate inquiry agency, Tokyo Shoko Research, said that the number of bankrupt companies in October totalled 1,388, up 17.3 per cent from the previous month, but down 13.1 per cent from the year before.

Tokyo Shoko Research said that behind the increase was the rise in the yen in the foreign exchanges. The number of bankruptcies connected to the yen's rise had risen to 45 from 33 cases in September, mainly because of falling export contracts.

Liabilities left by bankrupt companies in the month amounted to Y194.26bn ($1bn) or 12.9 per cent less than the year earlier, according to Teikoku Koshinsho. Debts of Y195.057bn yen, up 34 per cent from September, but down 12.1 per cent from a year ago, according to Tokyo Shoko Research.

AP-DJ

Nippon Express makes progress

By Our Financial Staff

NIPPON EXPRESS the major Japanese transport services concern, increased its after-tax profits by 36 per cent in the first half of the financial year, to Y2.23bn ($11.9m) from Y1.64bn in the same period last year. The interim dividend, however, is unchanged, at Y2 a share.

Sales for the six months to September 30 rose 7 per cent to Y294.27bn ($1.6bn).

TNT confident of outlook

By Our Financial Staff

THOMAS NATIONWIDE Transport, the Australian-based international transport group, can now look more confidently towards the future and a resumption in 1979 of the company's traditional growth pattern, Sir Peter Abeles, the managing director, says in the annual report. For the first time ever last year there was no growth in profit, which was unchanged at A$29.3m pre-tax on sales of A$475m (A$462m).

Problems encountered last year had been overcome, Sir Peter reported, with the sale of the loss-making American business, Acme Fast Freight, the return of Trans Freight Lines—hit by the U.S. longshoreman's strike—to full operational activity and the restructuring of the African service.

They came to take the waters and they took away the name.

1603 was a great year for a Belgian town called Spa and for two eminent English doctors named Richard Andrews and William Paddy.

Since Roman times people had flocked to Spa to 'take the waters'.

That year the two masters of medicine crossed the channel to see for themselves.

Compiling their analyses, they

chanced to meet one Henri De Heer– a doctor with an eye for a deal.

Later, in London, Paddy and Andrews extolled Spa's virtues while Monsieur le docteur gingerly unpacked 200 bottles of precious Spa drinking water in their Kensington lodgings.

Instant success.

By 1732, Queen Caroline's Purveyor of Waters, Henry Eyre, was personally importing 10,000 bottles of Spa into Britain every year.

ROYAL LEAMINGTON SPA. CHELTENHAM SPA.

Health resorts everywhere jumped on the bandwagon.

They couldn't beat Spa. They had to join it. And that's exactly what they did. They joined Spa to their names.

Dozens of towns basked in the reflected glory of a unique natural phenomenon–the amazing purity and character of spring water from Spa in the Belgian Ardennes.

But original Spa is coming back to Britain. Across the world people drink over one million litres of Spa spring water every day.

And every litre still displays the unique qualities of clarity and purity that made Spa famous so long ago.

Spa contains remarkably little salt.

And that's why Spa delights the palate and can work hard in the way nature intends water to work in the body. That is, by washing harmful wastes out of the system.

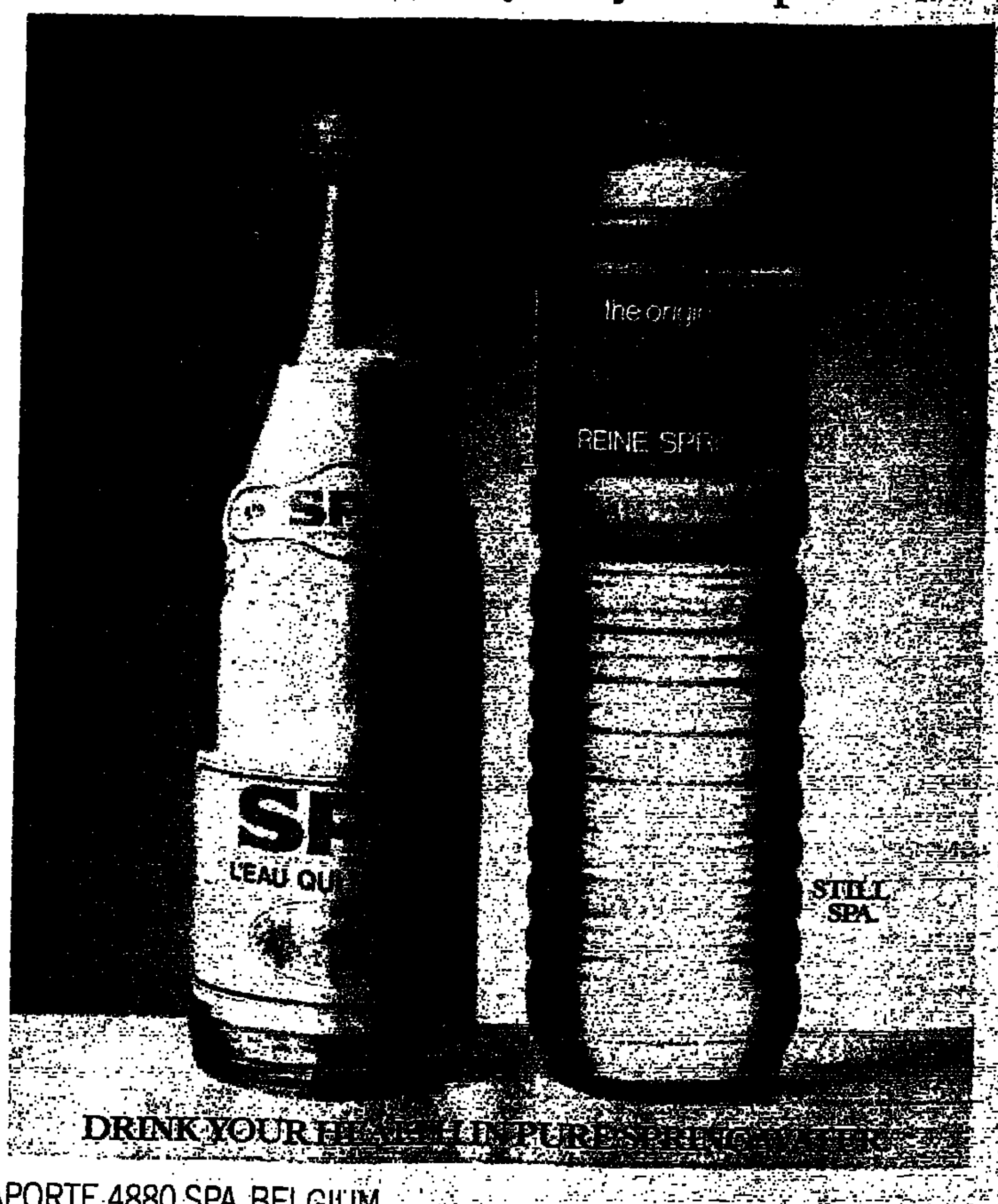
Spa is not a 'medicinal' water.

It is pure and pleasant-tasting drinking water for your table.

Even if you come from Bath, Harrogate, Malvern, Cheltenham, Buxton, Leamington, Scarborough, Shadwell or any other 'spa'–sample a sip of original Spa.

You'll agree.

There is really only one Spa.



DRINK YOUR HEALTH IN PURE SPRING WATER

FOR MORE INFORMATION WRITE TO: SPA MONOPOLE S.A., 34 RUE AUGUSTE LAPORTE, 4880 SPA, BELGIUM.

مكتبة الأصل

Currency, Money and Gold Markets

Dollar gains on intervention

The dollar gained ground in the foreign exchange market yesterday, following continual support by central banks. Sterling showed little reaction to the rise to 12½ per cent in Bank of England Minimum Lending Rate, and forward rates were only slightly wider with the largest movement in the 12-month period which increased to 4-cents discount from 3.53 cents. The three-month rate moved out slightly to 1.10 cent from 1 cent discount.

The pound opened at $1.9770-1.9780 and touched a high point of $1.9800 during the morning; the authorities may have entered the market to steady sterling, and just before the MLR announcement it had eased to $1.9705-1.9715. Shortly after, the pound rose to $1.9740-1.9755, but eased to $1.9700-1.9730 in the afternoon, before closing at $1.9720-1.9730, a fall of 25 points on the day.

Sterling's trade-weighted index, as calculated by the Bank of England, rose to 62.3 from 62.2, after standing at 62.2 at noon and 62.0 in early trading.

The U.S. Federal Reserve intervened to push up the dollar in early New York trading, and this followed more support from the Bundesbank and Swiss National Bank in Europe. The Bank of Japan bought up to $200m before the European centres began trading, thus giving a 24-hour coverage of dollar support by these four central banks. The dollar finished at DM 1.8870 against the D-mark, compared with DM 1.8770 previously, and rose to SwFr 1.6245 in terms of the Swiss franc from SwFr 1.6160.

The dollar's trade-weighted depreciation, on Morgan Guaranty figures, narrowed to 10.0 per cent from 10.1 per cent.

NEW YORK—Heavy intervention by the Federal Reserve pushed up the dollar in early trading. The U.S. currency rose to DM 1.8820 against the D-mark from the Frankfurt fixing level of DM 1.8760. The pound was little changed despite the rise in Minimum Lending Rate.

FRANKFURT—The Bundesbank bought $11.85m when the dollar was fixed at DM 1.8760 against the D-mark, compared with DM 1.8762 previously. The statement of support for U.S. dollar policy by the vice-chairman of the Bundesbank helped to support the U.S. currency, which opened at around DM 1.8660 in Frankfurt. The tactics of the central bank also helped the dollar, by pushing it up when the currency was already rising, rather than buying at an established low point. There was still evidence of some selling in the market however, as a hedge against any further large commercial selling orders. On Wednesday these were met by heavy intervention from the U.S. Federal Reserve.

BRUSSELS — The Belgian National Bank supported the dollar on a large scale throughout the morning, as the U.S. unit gained ground on the comments of the vice-chairman of the German Bundesbank. The dollar was fixed at BFr 29.44 against the Belgian franc, with the central bank buying several million dollars. Wednesday's fixing level was BFr 29.32½. The Belgian franc remained firm within the European currency snake, gaining ground against the D-mark. At the fixing the German currency eased to BFr 15.6727½ from BFr 15.6820.

MILAN—The dollar improved against the lira at yesterday's fixing. It rose to L835.55 from L831 earlier in the morning, and was also slightly firmer than the previous fixing level of L835.45. Market volume was normal at $14.5m. The Italian currency was a little weaker against the pound, but gained ground in terms of all other major European currencies and the Japanese yen.

AMSTERDAM—The dollar rose to Fl 2.0350 against the guilder at the fixing, from Fl 2.0230 on Wednesday.

TOKYO—The dollar lost ground in nervous trading, closing at Y186.67½ against the Japanese yen, compared with Y188.40 on Wednesday. The U.S. currency opened at Y188.70, and fell to a low point of Y186.00 on selling by Japanese exporters. The Bank of Japan bought about $100m at Y186.10, and between $180m and $200m during the day. This was the fourth time in five trading days that the central bank has supported the dollar. Although the U.S. currency had an easier tone, there were signs of some interest at the lower levels on commercial interest and short covering. Spot volume totalled $636m.

THE POUND SPOT / FORWARD AGAINST £

Nov. 9	Bank rate %	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	1.9700-1.9800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

THE DOLLAR SPOT / FORWARD AGAINST $

November 9	Day's spread	Close	One month	p.a.	Three months	p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† U.S. cents per Canadian $.

CURRENCY RATES

November 9	Special Drawing Rights	European Unit of Account
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

November 9	Bank of England Index	Morgan Guaranty changes %
[illegible]	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Nov. 9	£	$		£	Note Rates
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Nov. 9	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.973	3.723	371.0	8.470	3.205	4.018	1649	2.312	58.50
U.S. Dollar	0.507	1.	1.887	188.1	4.294	1.625	2.037	836.1	1.172	29.66
Deutsche Mark	0.269	0.530	1.	99.65	2.275	0.861	1.079	443.0	0.621	15.71
Japanese Yen 1,000	2.695	5.317	10.03	1000.	22.83	8.639	10.83	4443	6.230	157.7
French Franc 10	1.181	2.329	4.395	438.0	10.	3.784	4.745	1947	2.729	69.06
Swiss Franc	0.312	0.615	1.161	115.8	2.643	1.	1.254	514.5	0.721	18.25
Dutch Guilder	0.249	0.491	0.927	92.35	2.108	0.798	1.	410.3	0.575	14.56
Italian Lira 1,000	0.607	1.197	2.258	225.1	5.138	1.944	2.437	1000.	1.402	35.48
Canadian Dollar	0.433	0.853	1.610	160.5	3.664	1.387	1.738	713.2	1.	25.31
Belgian Franc 100	1.710	3.383	6.365	634.4	14.48	5.497	6.868	2828	3.966	100.

EURO-CURRENCY INTEREST RATES

Nov. 9	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Yen	Singapore $
Short term	10½-11	9⅞-10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8-12	—	[illegible]
7 days notice	12-12½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11-12	10-11	[illegible]
Month	12½-12¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12-13	10½-10⅝	[illegible]
Three months	13¼-13½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14-15	[illegible]	[illegible]
Six months	14-14½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15-16	11-11⅛	[illegible]
One year	14½-14⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15½-16½	[illegible]	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.30-10.40 per cent; three months 11.50-11.60 per cent; six months 11.70-11.80 per cent; one year 11.65-11.75 per cent.

Long-term Eurodollar deposits: Two years 10⅞-10⅞ per cent; three years 10⅞-10⅞ per cent; four years 10⅞-10⅞ per cent; five years 10⅞-10⅞ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates for closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Further fall in Belgian rates

Rates on short-term Belgian Treasury certificates were cut yesterday by 0.25 per cent. One- and two-month paper rates now stand at 9.5 per cent against 9.75 per cent previously, and the three-month rate is 9.25 per cent compared with 9.5 per cent. This latest move represents the third cut this week, and while there was no official comment from the Belgian National Bank, is was generally agreed that the reduction was a reflection of official policy now that pressure has eased on the Belgian franc in foreign exchange markets. Some sources suggested that interest rates were being reduced to allow for a new Government bond issue in around a month's time.

Deposit rates for the Belgian franc (commercial) were generally easier with one-month deposits at 9¾-9⅞ per cent from 9⅞-10 per cent and the three-month rate at 9¼-9⅝ per cent against 9⅜-9⅝ per cent previously. Six-month deposits fell slightly to 8¾-9 per cent compared with 8⅞-9 per cent, while the 12-month rate was unchanged at 8¾-9 per cent.

NEW YORK — Federal funds were trading at 9⅝-9⅞ per cent against what many people presume to be a target rate of 9¾ per cent. There was some speculation as to whether the Fed might enter the market to absorb funds by reverse repurchase orders and thus push up rates, although they have refrained from doing so earlier in the week.

Treasury bills were generally lower with 13-week bills at 8.88 per cent compared with 9 per cent late Wednesday and 26-week bills at 9.47 per cent against 9.48 per cent. One-year bills were also slightly easier at 9.37 per cent from 9.38 per cent.

FRANKFURT—Rates for call money were sharply down at 1.4-1.6 per cent against 2.4-2.5 per cent previously and the one-month rate eased to 3.0-3.2 per cent from 3.3-3.4 per cent. Longer term rates were unchanged up to 4.1-4.2 per cent for 12 months.

PARIS—Day to day credit was slightly easier at 6⅞ per cent from 7 per cent on Wednesday. Longer term rates showed very little change right through to one-year at 8¼-8½ per cent.

AMSTERDAM—Interbank money market rates were firmer although call money was unchanged at 8-8¼ per cent. Longer term rates rose to 8-8¼ per cent from 7¾-7⅞ per cent for one-month and 8-8¼ per cent for three-month, compared with 7¾-8 per cent previously. Six-month money was quoted at 7¾-8 per cent from 7½-7¾ per cent.

HONG KONG—After a fairly tight start, conditions in the money market eased during the afternoon with call money quoted at around 11½ per cent and overnight business dealt at 10 per cent.

UK MONEY MARKET

MLR jumps to 12½%

Bank of England Minimum Lending Rate 12½ per cent (since November 9, 1978)

Bank of England minimum lending rate was raised yesterday to 12½ per cent from 10 per cent. An increase had been anticipated for some time although the size of yesterday's jump took most people by surprise. MLR is now at its highest level since January, 1977. Initial reactions to the announcement left the market somewhat confused with rates quoted for bills being on a very nominal basis.

In the money market day-to-day credit was in adequate supply and the authorities did not intervene. Banks brought forward balances slightly over and there was a decline in the note circulation in addition to a modest sum of Treasury bills maturing outside official hands. On the other hand there was a slight excess of revenue transfers to the Exchequer over Government disbursements.

Discount houses were paying up to 9½ per cent for secured call loans at the start and closing balances were taken anywhere between 7¾ per cent and 8¾ per cent. In the interbank market overnight loans opened at 8⅞-8¾ per cent and rose to 9¼-9½ per cent. Rates then fluctuated and touched 7-7¾ per cent during the early part of the afternoon before closing at around 8 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Nov. 9 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7-9½	—	—	—	11	7½-9½	—	—	—
2 days notice	—	—	9⅝-9¾	—	—	11½	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authority and finance houses seven days' notice, others seven days' fixed. Longer-term local authority mortgage rates nominally three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills [illegible] per cent; four-month trade bills [illegible] per cent. Approximate selling rates for one-month Treasury bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent. Approximate selling rate for one-month bank bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent; one-month trade bills [illegible] per cent; two-month [illegible] per cent and also three-month [illegible] per cent. Finance House Base Rates (published by the Finance Houses Association) [illegible] per cent from November 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice [illegible] per cent. Clearing Bank Base Rates for lending [illegible] per cent. Treasury Bills: Average tender rates of discount [illegible] per cent.

GOLD

Sharp fall

Gold closed at $209¾-210¼, the lowest level of the day, and a fall of $9¼ from the finish on Wednesday. The metal opened at $219½-220½, and fell steadily in nervous trading. It was fixed at $216.60 in the morning and $213.70 in the afternoon.

In Paris the 12½-kg gold bar was fixed at FFr 29,890 per kg in the afternoon ($215.46 per ounce), compared with FFr 30,000 ($217.75) in the morning, and FFr 30,350 ($220.91) Wednesday afternoon.

In Frankfurt the 12½-kg bar was fixed at DM 13,000 per kg ($217.04 per ounce), compared with DM 13,400 ($222.17) previously.

	Nov. 9	Nov. 8
Gold Bullion (a fine ounce)		
Close	$209¾-210¼	$219-219¼
Opening	$219½-220½	$219½-219¾
Morning fixing	$216.60	$221.75
	(£109.646)	(£112.448)
Afternoon fixing	$213.70	$218.80
	(£108.103)	(£110.953)
Gold Coins, domestically		
Krugerrand	$216-218	$226-228
	(£109¼-110¼)	(£114½-115½)
New Sovereigns	$59-62	$61-63
	(£30-31½)	(£31-32½)
Old Sovereigns	$60-62	$61-63
	(£30½-31½)	(£31-32)
Gold Coins, internationally		
Krugerrand	$216-218	$225½-227½
	(£109¼-110¼)	(£114½-115½)
New Sovereigns	$57-59	$58-61
	(£29-30)	(£30-31)
Old Sovereigns	$60-62	$61-65
	(£30½-31½)	(£31-33)
$20 Eagles	$280-285	$292-297
$10 Eagles	$152-157	$154-160
$5 Eagles	$108-113	$101-107

MONEY RATES

NEW YORK

Prime Rate	10.75
Fed Funds	9.75
Treasury Bills (13-week)	8.88
Treasury Bills (26-week)	9.47

GERMANY

Discount Rate	3
Overnight	[illegible]
One month	[illegible]
Three months	[illegible]
Six months	[illegible]

FRANCE

Discount Rate	9.5
Overnight	[illegible]
One month	[illegible]
Three months	[illegible]
Six months	[illegible]

JAPAN

Discount Rate	3.5
Call (Unconditional)	[illegible]
Bills Discount Rate	[illegible]

LEGAL NOTICES

In the Matter of [illegible] Companies Act 1948 and in the Matter of [illegible] LIMITED. NOTICE IS HEREBY GIVEN, pursuant to Section 293 of the Companies Act 1948, that a MEETING of the CREDITORS of the above-named Company will be held at [illegible] on [illegible] November, 1978, at [illegible] for the purposes mentioned in Sections 294 and 295 of the said Act. DATED this [illegible] day of [illegible] 1978. By Order of the Board [illegible].

In the HIGH COURT of JUSTICE Chancery Division Companies Court. In the Matters of: [illegible] LIMITED; [illegible] LIMITED; SAUNA [illegible] LIMITED; JOVANKO LIMITED; SANCT BUILDERS LIMITED; WORKWISE [illegible] LIMITED; W. W. EVANS LIMITED and in the Matter of The Companies Act, 1948. NOTICE IS HEREBY GIVEN that Petitions for the Winding up of the above-named Companies by the High Court of Justice were on the [illegible] presented to the said Court by THE COMMISSIONERS OF CUSTOMS AND EXCISE of King's Beam House, Mark Lane, London EC3R 7HE, and that the said Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL on [illegible] December 1978, and any creditor or contributory of any of the said Companies desirous to support or oppose the making of an Order on any of the said Petitions may appear at the time of hearing in person or by his counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same. [illegible] Solicitor to the Petitioners.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the [illegible] day of December 1978.

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of [illegible] LIMITED and in the Matter of The Companies Act, 1948. NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the [illegible] 1978 presented to the said Court by [illegible] PARKINSON (LONDON) LIMITED whose registered office is situate at [illegible] Road, South [illegible], London, N13 [illegible], Contractors and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL on the [illegible] day of December 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same. [illegible] Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their solicitor (if any), and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the [illegible] day of December 1978.

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of [illegible] LIMITED and in the Matter of The Companies Act, 1948. NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the [illegible] 1978, presented to the said Court by THE DEPARTMENT OF HEALTH AND SOCIAL SECURITY of State House, High Holborn, London WC1R 4SX, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL on the [illegible] December 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same. [illegible] Solicitor to the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named, notice in writing of his intention so to do. [illegible]

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of [illegible] FOUNDATION LIMITED and in the Matter of The Companies Act, 1948. NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the [illegible] 1978, presented to the said Court by H. R. [illegible] & CO LIMITED whose registered office is situate at 94 [illegible] Road [illegible], and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL on the [illegible] day of December 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same. FAULCROFT HYMAN ISAACS [illegible] Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named, notice in writing of his intention so to do. [illegible]

PUBLIC NOTICES

HERTFORDSHIRE COUNTY COUNCIL BILLS. £3m issued 8 November, 1978, payable 7 February, 1979, at [illegible]. Applications totalled £19m. Total outstanding £6m.

APPOINTMENTS

COMPANY NOTICES

GREATERMANS STORES LIMITED
(Incorporated in the Republic of South Africa)
NOTICE TO SHAREHOLDERS
DECLARATION OF PARTICIPATING PREFERENCE DIVIDEND NO. [illegible]

NOTICE IS HEREBY GIVEN that a dividend of [illegible] cents per share comprising a Preferential Dividend of [illegible] cents and a Participating Dividend of [illegible] cents has been declared on the Cumulative Participating Preference Shares for the six months ending 31st December 1978 [illegible]. By Order of the Board, [illegible] Secretary.

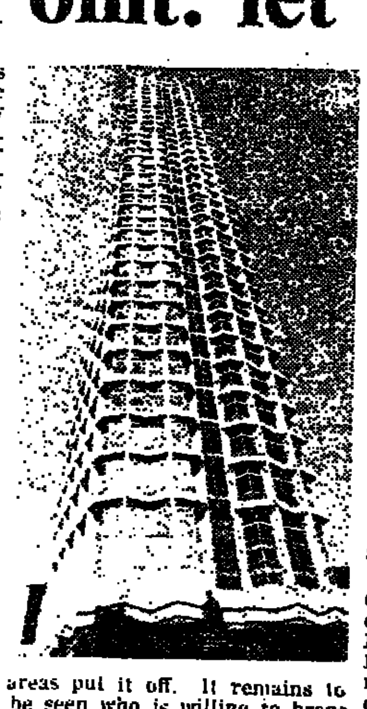
GRESHAM INDUSTRIES LIMITED
(Incorporated in the Republic of South Africa)
NOTICE TO SHAREHOLDERS
DECLARATION OF PREFERENCE DIVIDEND NO. [illegible]
NOTICE IS HEREBY GIVEN that [illegible]. By Order of the Board, [illegible] Secretary.

THE THOMSON ORGANISATION LIMITED
NOTICE IS HEREBY GIVEN that the Registers of the [illegible] Cumulative First Preference Shares, the [illegible] Cumulative Preference Shares, [illegible] Debenture Stock [illegible] will be closed from [illegible] November, 1978, to [illegible] [illegible] Secretary.

The Property Market

BY JOHN BRENNAN

Centre Point: let at last?



THIRTEEN YEARS after its completion, over half of Centre Point, Harry Hyams' 32-storey office tower, is under offer. D. E. and J. Levy, letting agent for the 130,500 sq ft of offices, confirm that the bottom 17 floors of the building have now been taken off the market.

This is at least the 10th time in the past decade that large areas of the building have been under offer or, "at an advanced stage of negotiations." But Levy's decision to take the lower floors off the market indicates that letting talks, at around £8.50 a square foot, are finally within sight of completion.

Only one of the 30 lettable floors in the building has ever had a firm tenant. For the past three years the Greek owned AGELEF shipping company has been in lonely occupation of Centre Point's fifth floor, having agreed a rent of around £11 a square foot for its 4,350 sq ft offices.

Since 1965, when Mr. Hyams' Oldham Estates (now controlled by the Co-operative Insurance Society) completed the building, all efforts to fill it have failed. The British Steel Corporation and EMI both talked about, then turned down the offices. And rumoured prospective tenants have ranged from Lonrho to NATO.

Now, as large office units in the West End become increasingly scarce, tenants are again looking seriously at the building. It is known that EMI took another close look at the block recently. But once again, the tower's small individual floor areas put it off. It remains to be seen who is willing to brave the publicity and the floor design to become Centre Point's first major tenant.

Trafalgar in Birmingham

GEOFFREY CARTER, Trafalgar House's development director, is putting all the talk of a provincial office revival into action. After Sheffield—where Trafalgar went against the tide by taking over Lazard Property Unit Trust's 120,000 sq foot Playhouse scheme—the group has turned to Birmingham. Trafalgar has bought Bowerings' development site in Birmingham's Church Street and plans to start work on a 60,000 sq foot speculative office scheme this winter.

Trafalgar's move to Birmingham may look odd coming so soon after MEPC's decision to broadcast a cut in asking rents on its 162,000 sq foot Broadway block in Edgbaston to just £2.25 a sq foot. No one could justify a new development with rents that low, even taking account of Elliott Jones Martin's recent warning in its survey of West Midland offices that there could be a general shortage of modern space in the city by 1980.

Mr. Carter does not pin the Church Street's scheme's fortunes on any general shortage of offices. He sees city fringe rents as largely irrelevant. And with current central area rents moving over the £5 a sq foot mark, Trafalgar's speculative scheme, due for completion late in 1980, looks well-timed.

Timing has always been Trafalgar's strength. It abandoned developments in 1972, well ahead of the crash, and then turned to factory and warehouse estate schemes in time to cash-in on the institutional fashion for industrial investments. Now, Trafalgar's sights are set on office developments, not to hold, but to build and sell. As Mr. Carter says, "wherever there is a hole we'll look down it."

IN BRIEF . . .

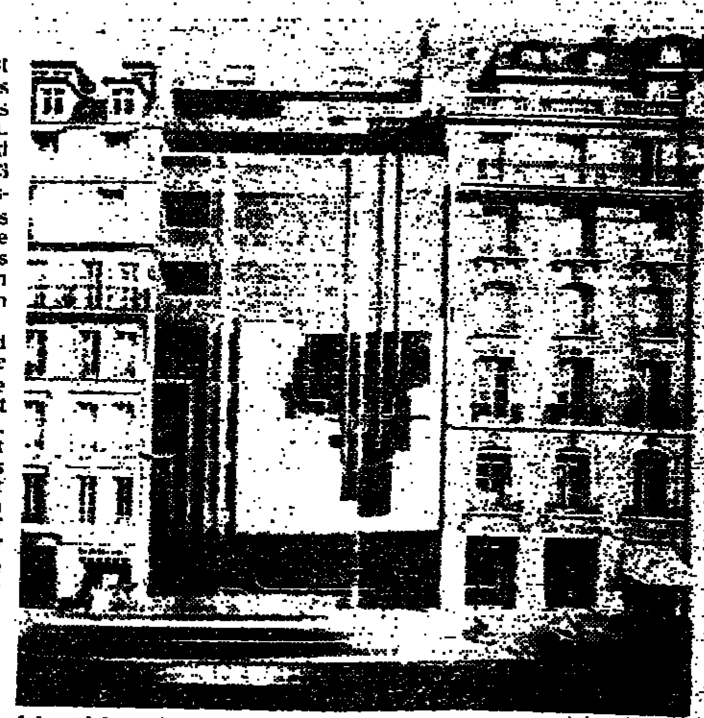
ONE OF the largest, and least noticed beneficiaries of this year's house price explosion is the Bradford Property Trust. BPT, which this week reported half year attributable profits 43 per cent ahead at £1.2m, disproves the idea that rent controls have killed the profit for private landlords. The group owns 7,900 houses, a third of which lie, despite the group's name in London and the south east.

Rents, increasingly bolstered by industrial property income from BPT's 1,000 house, multiple village development scheme at Martlesham Heath near Ipswich, produces over £2.2m a year. But the cream of the business remains the sales of vacant possession houses, and on a 7,900 house portfolio the law of averages overcame security of tenancy legislation to the tune of £5.8m last year. Even allowing for an exceptional second half £¾m land sale at Martlesham last year which artificially boosted dealing profits, half year results reporting dealing company sales up from 1977's £1.9m to £3.4m show just what effect the house price increases are having on BPT's earnings.

Brian Tetley, elevated to the group's main board this week, tells me that despite the apparent collapse of the private rented sector there is still "no problem whatsoever" in adding to BPT's portfolio. It has been a matter of turning away properties for the past few years as landlords without BPT's corporate patience, or its cash flow, trade rent control problems for cash.

These problems keep the buying prices low and provide BPT with its long-term dealing profit margins. It is possible to get an idea of the size of these margins from the six month results which showed the £3.4m dealing company sales producing taxable profits of £1.43m. On a simple profit to sales margin that works out at a staggering 43 per cent.

The stock market's traditional distaste of property dealing profits hardly applies to the group if there is a steady inflow of new dealing properties and a steady flow of vacant possession houses in portfolio. And as BPT's market tends to serve the lower price, first time buyer market, or tenant purchaser, it is the last to worry about the effects of a mortgage famine.



Advertising agents J. Walter Thompson created quite a stir in Paris when Mazzucconi, the Italian architect, completed its continental headquarters building at 22, Avenue Matignon in the Elysee district of Paris. It is hard to credit that the infill block is real, and not just an architect's model. But French insurer U.A.P. clearly believes in the 24,700 sq ft scheme as U.A.P. have just completed a £3m sale and leaseback through JWT's agents, Jones, Lang, Wootton.

Half of the space on the top four floors, are surplus to the advertising men's needs and Marcel Dassault, the aviation group has, appropriately, taken the top two floors at FFr 1,200 a square metre—an impressive £13.12 a sq ft.

o

SKELMERSDALE and Washington New Town are better bets than Milton Keynes or Bracknell according to an independent guide to New Town relocation published this month.

"Better Buys for Business" a bi-monthly magazine on the lines of a businessman's "Which?," roped-in Peter Townroe, the University of East Anglia's planning expert, to carry out a survey of Britain's 22 New Towns. Mr. Townroe has drawn together information on 27 factors likely to be of importance to prospective New Town tenants ranging from the number of Government incentives available to rent and rate charges, labour supply, housing and general amenities. On Mr. Townroe's own weighting of these factors, Skelmersdale, Washington, Irvine, Cumbernauld, and Glenrothes emerge as the "best buys" for companies on the move. Corby, Northampton, Basildon, Milton Keynes and Bracknell make up the bottom five of his league table.

The Townroe league table is totally subjective. But the research work done by the "Better Buys" team brings together, for the first time, a mass of comparative information about the New Towns, information that should be useful to any property manager considering a move.

Mr. Townroe's league table appears in the November/December issue of the magazine, which costs £25 a year from 13, Golden Square, W1. Information sheets on individual New Towns cost £5 from the publishers, and a more general information pack on all the towns costs £15. Both will be regularly updated.

●

PROPERTY'S APPEAL to Britain's 60,000 or so pension funds is heavily underlined in Harris Graham and Partners' latest quarterly survey of pooled pension funds. The survey shows that the 28 property funds in the market outperformed every other investment medium by a spectacular margin last year.

In the twelve months to the end of September the property funds achieved a median return of 19.7 per cent, that compares with a 7.4 per cent return in the FT All Share Index (allowing for re-invested gross income) and a 7.5 per cent return on cash held as one month local authority deposits.

The continued sharp rise in farmland values keeps three agricultural specialists in the top five performing property funds. The £7m Abbotstone Agricultural Property Unit Trust comes top of the performance tables for the third year running, with a 37.3 per cent return over the year. Hanover Property Unit Trust managing funds of £57 returned 34 per cent for the year to take second place just ahead of 33.3 per cent returns from the £3.9m Hill Samuel Agricultural Unit Trust and the Pennine Property Unit Trust. Kleinwort, Benson, ... Trust, now worth £7.9m, completes the top five, with a year return of 26.5 per cent.

Even the bottom markers in the property section of Graham's poll did better than funds in other sectors. The £7.7m Industrial and Commercial Property Unit Trust and the £25.6m N... Court Property Fund share bottom place in the property fund list with an annual return of 14.6 per cent. But that compares with a median return of just 4.6 per cent on the 25 ... pooled pension funds surveyed.

●

SYDNEY COWAN, managing director of Samuel Properties will have caused alarm within the property sector this week with the news that he is the latest to adopt that accountant's dream, annual portfolio valuations. After all the property company battles with accountants last year over the ... nuisance and irrelevance of annual valuations, ... Samuel bowed to the critics? Well, yes and no.

The fact is that Mr. Cowan hammered out a deal with his valuers, Edward Erdman, which allows the group to publish an annual update of its property values costing no more than a triennial one. Shareholders pay no more, the auditors are happy and so why not publish ... year? Only the investment properties in Samuel's ... portfolio will be affected. But even so, in an age of surveyor computers, Mr. Cowan's ... does make a bit of a nonsense of all those heated arguments about valuation problems.

●

Property Deals appears on Page 36. The quarterly Richard Ellis poll of Property Market Indicators appears on Page 6.

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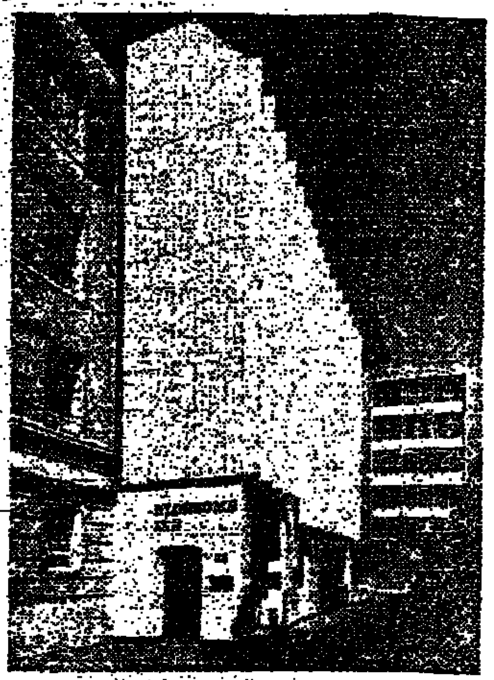

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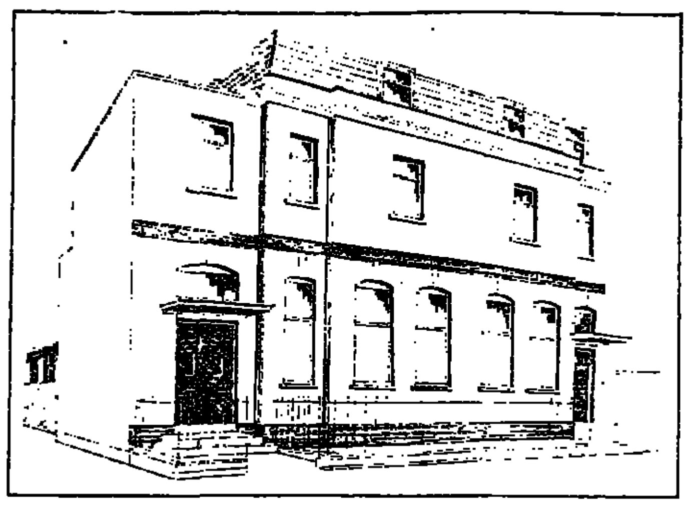

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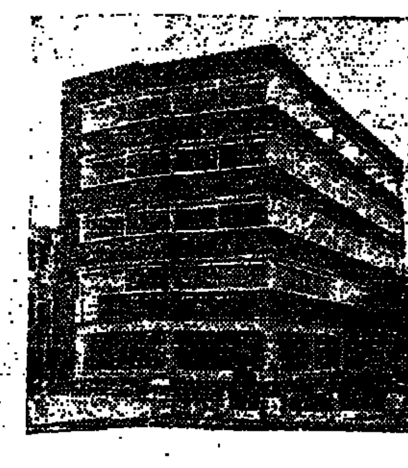

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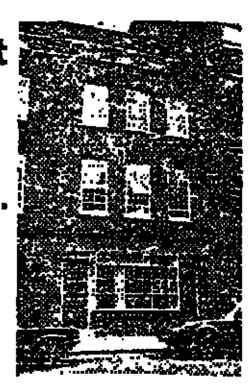

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PROPERTY DEALS

Kribco buys out Lesser Land

IN A complex, multi-currency deal worth "in excess of" £5m, Lesser Land has sold all five of its European developments to the Dutch investment group Kribco.

Lesser, one of the quieter and more successful of the British developers to move to the Continent in the early 1970s, has sold office schemes in The Hague, Rotterdam, Amsterdam, Brussels and Tours. Rotterdam agents Makelaarskantoor Rijndelta CV arranged the sale of a 13,000 sq ft office at 61/62 Koninginnegracht in The Hague let to the Dutch defence ministry; 7,500 sq ft at Keizergracht 604 in Amsterdam; 5,000 sq ft at 38 Parklaan, Rotterdam; its 25,000 sq ft block in Brussels and 17,000 sq ft scheme in Tours.

Another £0.4m has been raised from the sale, through Hampton and Sons, of Lesser's 13,000 sq ft supermarket and office development in St. Helier, Jersey, to the Dutch registered Alan Rodd Investments.

The overseas sales release cash for Lesser's developments at home, and for a 21-year-old group still owned by its founder, Cyril Lesser, the scale of the business is surprising. Apart from an retained investment portfolio of 0.4m sq ft of industrial space and 120,000 sq ft of offices, and excluding the Scottish Amicable funded £9m Oldham town centre development, Lesser is actually building another 120,000 sq ft of offices and 500,000 sq ft of industrial estates.

•

THE INSTITUTE of Accounting Staff has paid just over £¾m for a 5,500 sq foot freehold headquarters office at 20/21 Jockey's Fields, W.C. D.E. and J. Levy sold the air-conditioned block on behalf of private clients, which Chestertons acted for the Institute.

•

NORWICH UNION and the Legal and General Assurance Society have put their plans for a £13m, 230,000 sq foot Enfield Civic Centre on public display in the town. The scheme, due to start next summer and to be completed by the end of 1982, involves four store units and 38 standard shops with a four storey, 600 space car park. Healey and Baker, Graves Son and Pilcher and Enfield agents Nielson are appointed as the scheme's letting agents while Goddard and Smith are acting as Enfield's consultants.

•

WEST END rents are on the rise according to Drivers Jonas in its latest survey of the Mayfair and St. James's office market. Average rents over the entire 395,000 sq ft of offices now on the market work out at £10.33 a square foot. That compares with an average of £8.75 a square foot three months ago.

Letting pressure alone cannot account for this sizeable rise in asking rents as the firm's surveys have shown a fairly slack take-up rate during the summer months. The explanation lies in the proportion of air conditioned refurbishments coming on to the market. In August, air conditioned space accounted for less than a quarter of the total space available, at 203,341 sq ft it now makes up more than half the empty space.

Air conditioning fashions appear to have come full circle in recent years from essential, to unwelcome, and now back to being an integral part of most new West End schemes. The average asking rent on the air conditioned units in DJ's survey is a, perhaps rather optimistic, £15.30 a square foot.

•

CASTLE DONNINGTON, the East Midland Airport in Derbyshire, is expected to handle 640,000 passengers and 6,300 tonnes of cargo traffic this year. Plans for a £5m runway extension will give the airport the capacity to handle the new generation of wide-bodied airliners and vastly increase its air freight business Percy Bilton is now building into that growth by developing 230,000 sq ft of air cargo warehousing on a 10 acre site belonging to the East Midlands Airport Authority. Bilton and the Authority are jointly financing the scheme and hope to have two 11,097 sq ft and four 3,163 sq ft units on the market, at around £1.40 a sq ft, by next summer.

•

A 60,000 sq ft air conditioned section of Land Securities giant Bowater House in Knightsbridge, SW1, will come onto the market early next year. Avon Overseas Limited, one of the international cosmetic group's subsidiaries, is leaving the remaining 22 years of its lease on space in Bowater House's west wing for the greater elbow room of Kodak's 80,000 sq ft Imperial House offices on Imperial Way, Rayners Lane, Harrow. Avon will be out of Knightsbridge by next autumn, giving it time to modernise the former Kodak building and its agent, D. E. and J. Levy, time to work out asking rents for a prime West End unit of this size. Hillier Parker acted for Kodak, which passes a part-11 year, part-short term lease to Avon on Imperial House.

•

NEW COURT Property Fund, an exempt unit trust from N. M. Rothschild's stable, has taken on the £1.5m funding of Tarmac Properties' refurbishment at 32 Queen Ann's Gate, SW1. All the various permissions have now been received to start work on the 7,000 sq ft Grade 1 listed building which stands next door to the St. Stephens Club. Tarmac should have finished work by the end of 1979 when letting agents Richard Ellis will be asking a rent of £11.80 a sq ft. At £82,500 a year New Court, advised by Hillier Parker May and Rowden, would take an initial 5¼ per cent return on its freehold investment.

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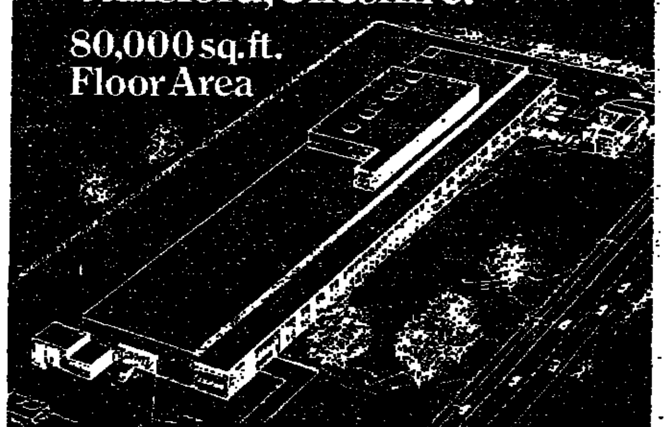

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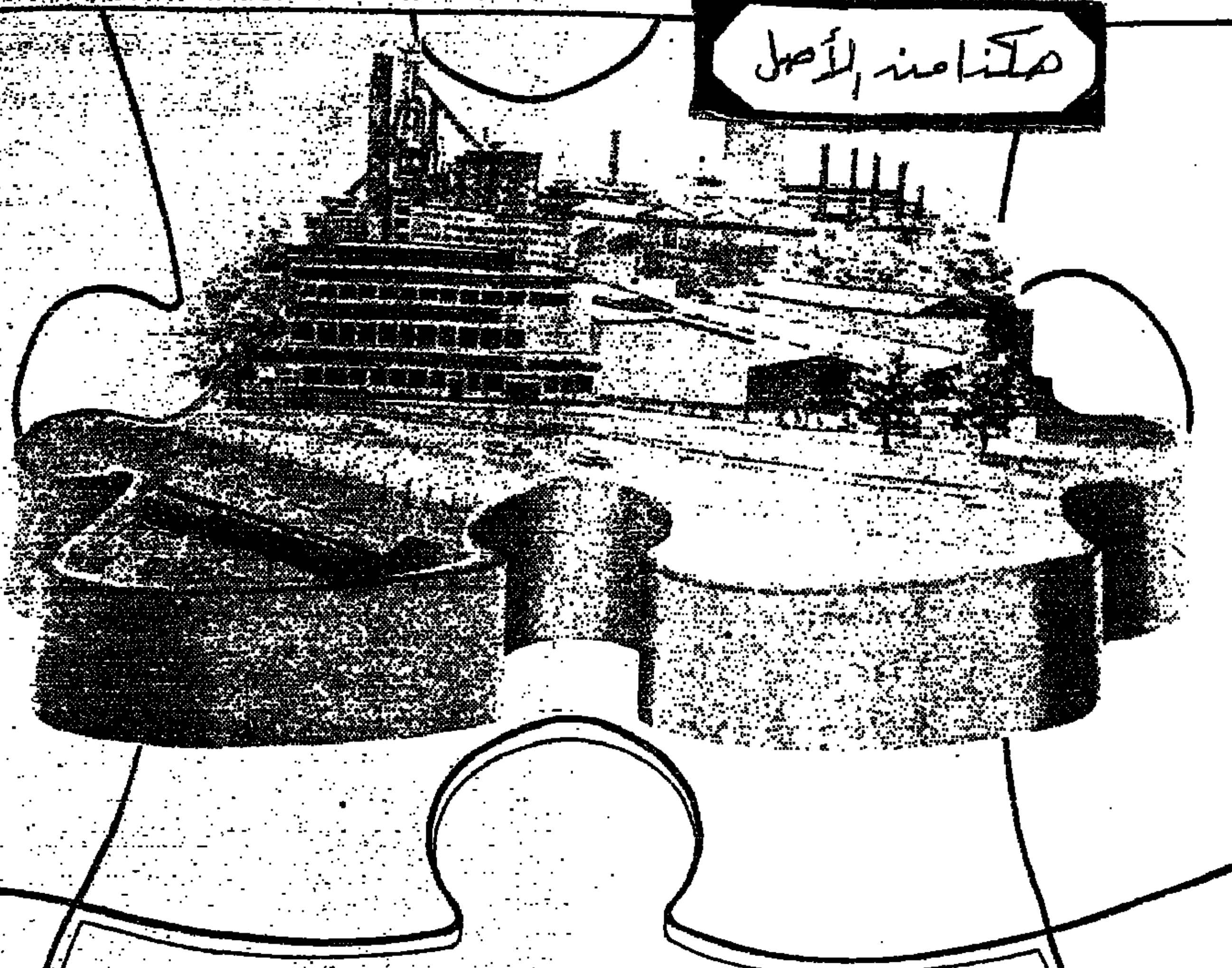

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APPOINTMENTS

Board changes at RCF Holdings

Mr. T. Harris, a director of RCF HOLDINGS, is to become chief executive of the group from January 1. On that date **Mr. John Godfrey** and **Mr. Norman Styles** relinquish their joint managing directorship. Mr. Godfrey will continue as chairman and Mr. Styles will remain on the Board. From the begining of next month **Mr. M. D. Moore** is to give up his position as managing director of Rabone Chesterman, the manufacturing division, to devote full attention to his post as group financial director.

★

Mr. A. T. Maidment and **Mr. S. A. Goldsmith** have joined the Board of BRITANNIA ARROW HOLDINGS, formerly Slater Walker Securities.

Mr. Geoffrey Rippon, Conservative MP for Hexham, has become a non-executive chairman of Britannia Financial Services and its subsidiaries, Britannia Trust Management and Britannia Fund Managers. Mr. Maidment and Mr. Goldsmith have been made managing director and investment director, respectively, of those three concerns. Mr. R. E. Dellow has also been appointed to the Board of BFS.

Mr. Maidment has been with the group since 1968, was made financial director of BFS in 1970 and a member of the Unit Trust Association Executive Committee in 1975. Mr. Goldsmith joined the group in 1971 and has been an investment director of BTM since 1975.

The resignations of Mr. Brian Banks and five other executives from Britannia were reported yesterday.

★

Mr. Brian Tetley, company secretary, has been appointed to the Board of the BRADFORD PROPERTY TRUST.

★

Mr. John Sainsbury, chairman of J. Sainsbury, and **Miss Mildred Head**, president of the National Chamber of Trade, are to represent British retailers on a new EUROPEAN COMMISSION COMMITTEE. Meeting for the first time on December 1, the committee will look at retailing and consumer protection.

★

Mr. David McWilliam has been appointed an assistant general manager (international), MIDLAND BANK. He joins Midland from the Thomas Cook Group, where he was managing director of Thomas Cook Bankers.

★

GIDDINGS AND LEWIS-FRASER has made changes in its selling organisation. Giddings and Lewis Sales has been restructured with **Mr. P. Galley**, managing director of Giddings and Lewis-Fraser appointed chairman and **Mr. A. Buick** (formerly general sales manager of G and L-Fraser), becoming managing director of the sales company. Mr. R. Heale, formally sales director of Giddings and Lewis Sales is appointed vice-president — European sales with G and L Inc., with responsibility for the sales of all Giddings and Lewis products throughout Europe.

★

Following Raybeck's offer for the ordinary shares of BOURNE AND HOLLINGSWORTH having become unconditional, **Mr. Ben Raven** has been appointed an executive director and **Mr. Lawrence Kuffel** has been appointed joint managing director.

★

Mr. J. E. Fothergill, chairman of the BRITISH MARKET RESEARCH BUREAU is to leave at the end of 1978 to join **Pritchard Brown and Taylor** as director of development and new systems.

★

Mr. Robin Brooks has been appointed director/general manager of OYEZ COPYING, part of the Solicitors' Law Stationery Society group.

★

Mr. Michael J. Brown has been appointed management services and manpower officer of the ELECTRICITY COUNCIL.

★

Sir John Spencer Wills has resigned as a director of BET OMNIBUS SERVICES of which he had been a director since 1942 and chairman since 1946. **Mr. Hugh Dundas** has been appointed a director of the company, and elected chairman to succeed Sir John. **Mr. A. F. R. Carling** has resigned as a director. He had been a member of the Board since 1957.

★

The Secretary for Employment has appointed the following to the HOTEL AND CATERING INDUSTRY TRAINING BOARD: **Mr. R. C. Joseph**, **Mr. P. I. Monnickendam**, **Mr. E. A. Bradley**, **Mr. D. Coatsworth** and **Prof. J. R. S. Beavis**.

★

Mr. Peter Gee has been appointed financial controller of TARMAC BUILDING PRODUCTS DIVISION. He succeeds **Mr. Roger Leach**, who has become marketing and sales director of Permanite, a divisional company. Mr. Gee was formerly with Norwest Holst.

★

Mr. J. R. Humber has been appointed director of the HOUSE-BUILDERS FEDERATION and director of the National Federation of Building Trades Employers housing directorate from January 1. He succeeds Mr. Ian Deslandes, who has been made NFBTE director of industrial relations.

★

Mr. Alan E. Lambert has been appointed managing director of UWIN SPORTSWEAR. He succeeds Mr. W. R. Pickles, who has relinquished that post for personal reasons, but remains a non-executive director of the company and a director of the parent concern, William Pickles and Co.

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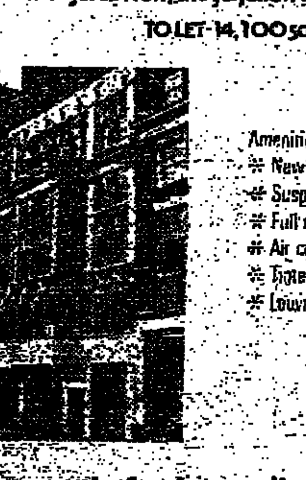

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Nordic Banking and Finance Conference

Oslo, December 7-8, 1978

The Nordic economies have recently been the subject of keen international attention with many industrial and trade developments making headline news.

The Volvo agreement, the state of the shipping and paper industries, will undoubtedly have a long term effect on the Nordic countries, and it is these subjects, along with the banking and financial implications thereof, that will form part of the discussion at the forthcoming conference "Nordic Banking and Finance".

The conference will be held in Oslo on December 7 and 8 and is sponsored jointly by the Financial Times, the Norwegian Journal of Commerce and Shipping, Helsingin Sanomat and Berlingske Tidende.

Other topics will be German-Nordic economic co-operation, the international financial market and North Sea Oil.

It is a conference that will attract business executives throughout the world that have contacts in Norway, Denmark, Finland and Sweden, as well as those based in these countries.

Mr. Per Kleppe, Minister of Finance, Norway, will give the opening address and among the distinguished speakers are:

The Rt Hon Lord Balogh, Economic Adviser, The British National Oil Corporation	**Mr Tor Moursund** Chairman, Norwegian Bankers Association
Mr John Forsyth Chief Economist, Morgan Grenfell & Co. Limited	**Mr Otto Norland** Executive Director, Hambros Bank Limited
Mr Leif Jüül Jorgensen Director, Finance and Economy, DFDS, Copenhagen	**Dr Eckart van Hooven** Member of the Board of Management, Deutsche Bank AG, Frankfurt
Dr Raimo Ilaskivi Managing Director, Finnish Bankers' Association	**Mr Bo Wergens** Director General, Swedish Pulp and Paper Association

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WORLD STOCK MARKETS

Wall St. rally fades after Carter conference

INVESTMENT DOLLAR PREMIUM
$2.60 to £1—79½% (77%)
Effective $1.9725 36½% (34½%)

AFTER MODESTLY extending Wednesday's late technical rally, Wall Street partially reacted on disappointment with President Carter's news conference and also on nervousness ahead of the weekly money supply figures.

The Dow Jones Industrial Average, after recovering 7.54 on Wednesday and gaining 2.25 more at mid-day yesterday, came back to 805.97 for a loss of 3.64 on the day. The NYSE All Common Index was finally just 3 cents harder at $52.52, after a day's high of $52.79, while gains managed to retain a narrow lead over losses at the close of 850 to 591. Business remained moderate, with volume totalling 23.32m shares, against 23.56m the previous day.

Some investors apparently had hoped President Carter would announce some stiffening of dollar support measures or a tighter budget deficit at his news conference and were disappointed, touching off a brief flurry of selling.

There may also have been disappointment with Carter's opposition to deferring a social security tax increase. Carter said his fiscal 1980 Budget deficit will be below $30bn and again rejected wage and price controls.

After the close of New York stock exchange trading, the Federal Reserve announced the nation's basic money supply rose $2.1bn in the latest reporting week.

Olin was a weak feature, falling 6¾ to $16¼, but **Celanese** rose 1¾ to $41. The two companies have terminated merger discussions but gave no reason why.

Superscope dropped 2¾ to $5¾ on reporting a loss for the third quarter and stating that because of an error, its second-quarter loss was worse than previously declared.

Johns-Manville slipped ¾ to $25¾. The company has obtained 3.9m shares of Olinkraft in its bid for 49 per cent of the equity at $65 a share. **Olinkraft** did not trade but closed on Wednesday at $61¾.

Copper shares were weak after the Wage Price Council said copper prices will be subject to the voluntary guidelines, but some Steel shares added fractions after the Treasury raised its trigger price.

Middle South Utilities topped the activities list but eased ⅛ to $14¼. A 619,000 share block was traded at $14¼.

Active **Pan-American Airways** were unchanged at $6¼. Its hotels subsidiary is to build and operate up to six hotels in China valued at about $500m.

American Motors added ⅛ at $5¼ on a sharp rise in fiscal fourth-quarter profits. **Rockwell International** reported lower fiscal fourth-quarter earnings but raised the dividend and gained 1¾ to $32.

THE AMERICAN SE Market Value Index ended a net 0.08 harder at 142.07, after touching 142.66 at 1 pm. Volume 2.83m shares (2.77m).

Volume leader **Resorts International "A"** receded $2 to $35½.

Canada

Stocks finished easier for choice after moderate activity. The Toronto Composite Index shed 2.5 to 1,210.2, while Golds, strong of late, retreated 36.0 to 1,357.4 on a fall in the Bullion price. Metals and Minerals declined 10.5 to 1,065.7 and Banks 0.30 to 287.97, but Papers gained 0.90 at 139.64.

Sigma added ½ at C$39½ on higher nine-months net earnings, while also on increased profits, **Maple Leaf Mills** rose ⅛ to C$19 and **Western Mines** 5 cents to C$4.30.

Hong Kong

Still undermined by Tuesday's announcement of a 1½ points increase in Best Lending Rate to 8¾ per cent and further depressed by speculation of another interest rate rise before the week is finished, Hong Kong stocks fell afresh in what brokers described as near-panic selling. Trading was again heavy, with total turnover coming to HK$235.52m (HK$267.64m). The Hang Seng index dropped 34.97 more to 565.41, its lowest level since July 21 this year and the severest one-day loss since July 7, 1973. Over the past four days, the index has fallen a total of 92 points.

Jardine Matheson retreated HK$1.30 to HK$14.10, **Hong Kong Land** 80 cents to HK$9.70, **Hongkong Bank** 70 cents to HK$17.90, **Hutchison Whampoa** 55 cents to HK$5.15, **Swire Pacific** 50 cents to HK$8.20 and **Wheelock** 22.5 cents to HK$3.00.

Tokyo

The market closed on an easier note for the first time in six trading days as late profit-taking eroded initial gains. The Nikkei-Dow Jones Average finished 9.69 down on balance at 5,948.25, after briefly touching a new record of 5,964.20 in early dealings. Trading remained active, with volume amounting to 390m shares (440m).

Foods, Pharmaceuticals, small-sized Steels and Machines ended lower on profit-taking after a firm start, while Electricals and Cameras generally declined on the fresh yen appreciation.

Sony lost Y30 to Y1,440, Pioneer Y40 to Y1,510, Matsushita Communication Y50 to Y1,960 and Canon Y3 to Y442.

Recently-selected Real Estates, Printings and Fats and Oils also gave ground, but Petroleum issues, which would benefit from the stronger yen, were higher.

Shares with anticipated good earnings prospects rose, with **Toyo Rayon** gaining Y25 to Y237 on its return to profits in the first half of the year.

Electric Plant Manufacturers, Public Works issues, Textiles and some Motors also showed net improvements.

There were strong market rumours that Communist Chinese investors apparently are buying Japanese shares through Hong Kong investors. One broker said that Bank of China officials and top officials of a major Japanese securities house and a major long-term credit bank also met recently to discuss whether the Bank of China could raise funds in Tokyo through bonds.

Germany

Shares generally lost further ground in listless trading, with dealers attributing the lack of interest to uncertainty on foreign exchange markets. The Commerzbank index came back 8.5 further to 817.0.

Siemens, in Electricals, remained under heavy pressure, falling DM 3.80 more to DM 289.70, as the market continued to react negatively to its disappointing rights offer terms.

The pressure also spilled over into Machine shares, with **Demag** declining DM 8, **GHH** DM 2.30 and **Kloeckner-Werke** DM 1.

Kaufhof led Stores lower with a DM 6 decline, while in Banks, **Bayenhypo** shed DM 3.50.

Paris

Stocks were mainly in firmer vein following a moderate business.

Brokers said the buying was mainly by mutual funds recently set up following the Government's decision last July to allow small investors to deduct up to FFr 5,000 of equity investments from their taxable income.

Sentiment was helped by the lowering of the Call Money Rate to 6¾ from 7 per cent and statements by Prime Minister Raymond Barre to the effect that the French economy is well on the road to recovery.

Apart from mixed Chemicals, gains predominated in all sectors.

Companies which yesterday reported higher sales for the nine months ended September 30 moved higher, with **Roussel Uclaf** gaining 8 to FFr 380, **Radiotechnique** 5 to FFr 450, **Poclain** 7.50 to FFr 226, **Carrefour** 79 to FFr 2,149 and **CFP** 3 to FFr 139.

Elf-Aquitaine, on higher third-quarter sales, were up 4 at FFr 541.

Australia

The weakening trend continued yesterday, although proceedings were enlivened by the start of dealings in the newly-floated 30 cents par value shares of **Malaysia Mining's** Australian diamond exploration offshoot, **Ashton Mining**.

The shares opened in Sydney and Melbourne at 85 cents. Brisk trading ensued, and in Melbourne, the share price rose to 90 cents before coming back to close at 86 cents after 1.9m shares changing hands. In Sydney, 380,000 shares were traded, with the stock finishing at 85 cents after touching 91 cents.

Meanwhile, the market's continuing disappointment with the lack of detail in last Monday's interim report on the Ashton venture was reflected in a further 10 cents fall to A$3.17 by **CRA**.

Elsewhere on the Mining Boards, **Metals Exploration**, 30 cents, and **Audimco** 38 cents, declined 5 cents apiece, while losses of 4 cents occurred in **Western Mining**, A$1.64, and **Bougainville**, A$1.46, but **Central Norseman Gold** was a firm exception, up 10 cents at A$13.50.

Industrial leader **BHP** fell another 16 cents to A$8.00, while **Woolworths** lost 5 cents to A$1.60 and **Bank NSW** receded 16 cents more to A$6.74.

Bushells, still negotiating with a potential take-over bidder, provided a bright spot with a gain of 15 cents to A$4.80.

Johannesburg

Golds declined across the board, reflecting the lower Bullion price and lack of fresh buying interest.

Mining Financials followed gold producers down. Diamond leader **De Beers** lost 10 cents to R7.32. Platinums also retreated, with **Implats** reacting 15 cents to R3.75 and **Lydenburg** 7 cents to R1.38.

The Industrial sector was mixed but with a tendency to soften towards the close. Among the leaders, **Barlow Rand** rose 10 cents to R4.68 but **SA Breweries** shed 12 cents to R1.32, both following results.

Amsterdam

Market took a turn for the better, aided by Wall Street overnight technical rally and the steadier dollar.

Brussels

Mixed after quiet trading.

Steels, however, were mostly lower, with **Cockerill** falling 14 to BFr 419 and **Arbed** 5 to BFr 2,200, but **Hainaut-Sambre** rose 26 to BFr 680. In Non-ferrous Metals, **Asturienne** receded 14 to BFr 704.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ‡ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs, including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

NEW YORK

[illegible]

CANADA

[illegible]

† Bid. ‡ Asked. § Traded. ‖ New stock.

GERMANY ◆

[illegible]

TOKYO ¶

[illegible]

Source: Nikko Securities, Tokyo

AMSTERDAM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

SWITZERLAND ●

[illegible]

COPENHAGEN ♣

[illegible]

MILAN

[illegible]

VIENNA

[illegible]

AUSTRALIA

[illegible]

PARIS

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STOCKHOLM

[illegible]

OSLO

[illegible]

BRAZIL

[illegible]

Turnover Cr.104.2m. Volume 58.5m.
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JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

Securities Rand U.S.$0.68
(Discount of 40.8%)

SPAIN ♥

[illegible]

Indices

NEW YORK—DOW JONES

	Nov. 9	Nov. 8	Nov. 7	Nov. 6	Nov. 3	Nov. 2	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials◆	805.97	807.61	800.07	814.88	825.11	816.96	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	86.64	86.41	86.56	86.44	86.55	86.62	90.96 (4/1)	86.34 (9/11)	—	—
Transport	210.80	211.55	211.14	215.04	216.84	215.04	261.49 (8/9)	199.31 (9/1)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	98.90	98.04	97.87	98.51	98.51	98.49	110.98 (5/1)	97.55 (31/10)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	23,320	23,560	25,520	28,580	26,070	41,950	—	—	—	—

* Basis of index changed from Aug. 24. ◆ Day's high 815.75 low 798.88

	Nov. 3	Oct. 27	Oct. 20	Year ago (approx.)
Ind. div. yield %	5.77	5.89	5.67	5.57

STANDARD AND POORS

	Nov. 9	Nov. 8	Nov. 7	Nov. 6	Nov. 3	Nov. 2	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	104.98	105.05	104.27	105.81	107.05	106.60	118.71 (12/9)	95.52 (6/3)	154.64 (11/1/73)	3.52 (30/6/32)
§Composite	94.42	94.45	93.65	95.19	96.18	95.61	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/65)	4.40 (1/6/32)

	Nov. 8	Nov. 1	Oct. 25	Year ago (approx.)
Ind. div. yield %	5.16	5.13	5.09	4.89
Ind. P/E Ratio	8.81	9.04	9.05	9.18
Long Gov. Bond yield	8.76	8.68	8.67	7.85

N.Y.S.E. ALL COMMON

Nov. 9	Nov. 8	Nov. 7	Nov. 6	1978 High	1978 Low
52.52	52.49	52.22	53.03	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Nov. 9	Nov. 8	Nov. 7
Issues Traded	1,850	1,852	1,891
Rises	850	682	197
Falls	591	769	1,418
Unchanged	409	401	276
New Highs	2	1	2
New Lows	59	106	77

MONTREAL

	Nov. 9	Nov. 8	Nov. 7	Nov. 6	1978 High	1978 Low
Industrial	202.77	203.63	202.46	206.12	222.14 (11/10)	162.98 (16/2)
Combined	209.30	209.80	208.57	211.57	225.61 (12/10)	170.82 (30/1)
TORONTO Composite	1210.2	1212.7	1210.5	1226.8	1652.7 (12/10)	998.2 (30/1)
JOHANNESBURG Gold	235.9	240.6	(u)	250.6	272.0 (14/8)	165.0 (20/4)
Industrial	270.2	274.8	(u)	274.4	281.8 (1/11)	194.9 (13/2)

	Nov. 9	Previous	1978 High	1978 Low
Australia (‡)	531.78	536.21	566.79 (22/8)	411.19 (1/3)
Belgium (‡)	97.96	97.95	101.16 (8/6)	90.45 (23/6)
Denmark (**)	88.66	89.00	92.95 (14/3)	88.08 (30/10)
France (††)	78.1	77.9	85.0 (4/10)	47.6 (5/2)
Germany (‡‡)	817.00	825.50	865.2 (19/10)	759.4 (17/3)
Holland (§§)	83.5	83.5	95.1 (11/8)	76.0 (4/4)
Hong Kong (‖‖)	565.41	600.38	707.70 (4/9)	383.4 (13/3)
Italy (¶¶)	70.95	71.16	82.25 (29/9)	55.45 (10/1)
Japan (a)	440.92	441.45	441.46 (8/11)	364.04 (4/10)
Singapore (b)	371.25	374.29	414.50 (8/9)	282.0 (9/1)

	Nov. 9	Previous	1978 High	1978 Low
Spain (d)	[illegible]	95.97	110.76 (9/5)	91.99 (17/3)
Sweden (e)	365.03	367.04	408.0 (4/5)	325.74 (5/1)
Switzerld (f)	277.6	276.6	323.7 (14/2)	261.6 (25/9)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300—1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ‖‖ Hang Seng Bank 31/7/64. ¶¶ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm (Industrial) 1/1/58. f Swiss Bank Corporation. u Unavailable.

THURSDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Middle S. Utilities	724,000	14¼	−⅛
Pan-Amer. Airways	409,900	6¼	—
Boeing	336,400	62¼	−¾
Ralston Purina	329,400	12½	—
American Invest.	282,900	10½	—
General Motors	280,100	58⅝	−⅞
Olin	273,500	16¼	−6¾
Ramada Inns	258,600	8	−⅛
Amer. Elec. Power	253,700	21¼	+⅛
Texaco	240,300	22⅞	−⅛

EUROPEAN OPTIONS EXCHANGE

Series		Jan. Vol.	Jan. Last	Apr. Vol.	Apr. Last	July Vol.	July Last	Stock
ABN	F.330	5	42		—	—		F.367
AKZ	F.25	2	4.20		—	—	—	F.29.30
AKZ	F.27.50	19	2.70	5	5			..
AKZ	F.30	68	2.20	5	3.20	10	5.50	..
AKZ	F.32.50	198	1.60	5	2.40	21	4	..
AKZ	F.35	—		72	2.20	121	2.80	
EK	$50	—		2	11½	—		$59⅝
EK	$60	—			—	3	7⅝	..
EK	$70	—		1	2⅝			..
HO	F.32.50	1	5.50	6	7.50	—	—	F.37.40
HO	F.37.50	8	3.30	37	5.50		—	..
HO	F.40	—		36	4	—		.
IBM	$260	1	16½		—	—	—	$265⅝
IBM	$280	10	7½	1	14	—		..
IBM	$300	—	—	2	6½			..
KLM	F.140	—	—	—	—	3	14.50	F.132.50
KLM	F.142.90	15	5.50	—	—	—		..
KLM	F.150	5	4	10	6.50	2	10	..
KLM	F.160	12	2.10	—	—	—		..
KLM	F.170	—	—		—	1	5.50	..
NN	F.108.90	1	7		—	—	—	F.110.70
NN	F.110	—	—	3	9.90	—	—	..
NN	F.120	—	—	4	5.20	—	—	.
PHI	F.25	76	2.10	21	3.10	17	3.70	F.25.40
PHI	F.27.50	70	0.90	75	2.10	15	2.70	..
PHI	F.30	—	—	20	1.10	—	—	..
RD	F.120	30	6.50		—	69	11.20	F.121
RD	F.130	20	2.40	10	4.50			..
RD	F.140	10	0.40	10	2	10	3	..
XON	$50	2	1½		—		—	$49⅝
		Nov.		Feb.		May		
BA	$60	5	3½	8	8¼	—	—	$63¼
BA	$70	—		8	4	3	6½	..

TOTAL VOLUME IN CONTRACTS 1226

BASE LENDING RATES

A.B.N. Bank 11½%
Allied Irish Banks Ltd. 11½%
American Express Bk. 11½%
Amro Bank 11½%
A P Bank Ltd 11½%
Henry Ansbacher 11½%
Associates Cap. Corp. 11½%
Banco de Bilbao 11½%
Bank of Credit & Cmce. 11½%
Bank of Cyprus 11½%
Bank of N.S.W. 11½%
Banque Belge Ltd. 11½%
Banque du Rhone 12½%
Barclays Bank 11½%
Barnett Christie Ltd. 12½%
Bremar Holdings Ltd. 12½%
Brit. Bank of Mid. East 11½%
■ Brown Shipley 11½%
Canada Perm't Trust 11½%
Cayzer Ltd. 11½%
Cedar Holdings 11½%
■ Charterhouse Japhet 11½%
Choulartons 11½%
C. E. Coates 11½%
Consolidated Credits 10½%
Co-operative Bank *11½%
Corinthian Securities 11½%
Credit Lyonnais 11½%
Duncan Lawrie 11½%
The Cyprus Popular Bk. 11½%
Eagil Trust 11½%
English Transcont. 11½%
First Nat. Fin. Corp. 12½%
First Nat. Secs. Ltd. 12½%
■ Antony Gibbs 11½%
Greyhound Guaranty 11½%
Grindlays Bank ‡11½%
■ Guinness Mahon 11½%
■ Hambros Bank 11½%
■ Hill Samuel §11½%
C. Hoare & Co. †11½%
Julian S. Hodge 12½%
Hongkong & Shanghai 11½%
Industrial Bk. of Scot. 10½%
Keyser Ullmann 11½%
Knowsley & Co. Ltd. 13½%
Lloyds Bank 11½%
London Mercantile 11½%
Edward Manson & Co. 12½%
Midland Bank 11½%
■ Samuel Montagu 11½%
■ Morgan Grenfell 11½%
National Westminster 11½%
Norwich General Trust 11½%
P. S. Refson & Co. 11½%
Rossminster 11½%
Royal Bk. Canada Trust 11½%
Schlesinger Limited 11½%
E. S. Schwab 12½%
Security Trust Co. Ltd. 12½%
Shenley Trust 11½%
Standard Chartered 11½%
Trade Dev. Bank 11½%
Trustee Savings Bank 11½%
Twentieth Century Bk. 12½%
United Bank of Kuwait 11½%
Whiteaway Laidlaw 12½%
Williams & Glyn's 11½%
Yorkshire Bank 11½%

■ Members of the Accepting Houses Committee.
[illegible]

مكاتبات الأصل

FARMING AND RAW MATERIALS

London base for Chicago futures plan

By Our Commodities Editor

THE CHICAGO Mercantile Exchange offshoot—the International Monetary Market—plans to open an office in London next spring, and to introduce a Eurodollars futures contract, it was announced yesterday.

But Clayton Yeutter, president of the Exchange, said no negotiations were under way about a possible merger with the New York Coffee and Sugar Exchange. However, he admitted there had been discussions and might be more talks in the future.

Meanwhile the Exchange is also planning to open an office in New York.

The purpose behind the new offices in London and New York is, said a spokesman, to develop support primarily for the monetary markets by "going where the business potential is greatest." The London office will be used as a base to build up international business from Europe and the Middle East.

The Eurodollar futures contract is seen as the biggest prospect. It will be linked in with the existing currency futures markets. Contracts for the Italian lira and Australian dollar are to be introduced, and also one for the 500 index of stocks and equities.

The starting dates will depend on how long it takes for authorisation of the proposed contracts by the U.S. Commodities Futures Trading Commission.

● The Kansas City Board of Trade said it filed an amended stock average futures contract with the Commodity Futures Trading Commission based on the Standard and Poors 500 index. An earlier proposal provided for a futures contract based on an average of 30 industrial issues.

Soviet cotton crop estimate reduced

WASHINGTON, Nov. 9.

THE 1978-79 COTTON crop in he Soviet Union is now estimated at 12.5m bales (480 lb net), own from the previous estimate 12.7m which equalled last ear's record harvest, the U.S. griculture Department said ere.

Soviet seed cotton deliveries otalled 7.8m tonnes by October 5, compared with 8m by the ame date last season.

USDA said there continue to e reports that bolls in some eplanted areas have not opened ully and that frost in early ctober slowed the ripening rocess.

euter

London copper market takes sharp plunge

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES fell sharply on the London Metal Exchange yesterday. Cash wirebars lost £17 to £746.5 a tonne. The downward trend was triggered off by a steep decline in the New York copper market overnight, and a further fall when Comex re-opened in the afternoon. News of the rise in the Minimum Lending Rate widened the gap between the cash and three months quotation.

Lead values were hit by the trend in copper, and the rise in interest rates. Cash lead closed £22 lower at £401 a tonne, while the three months quotation lost £18.75 to £393 a tonne. Zinc was also affected with the cash price down by £12 to £351.5 a tonne.

Tin defied the general downward trend, following renewed U.S. buying interest and forecasts of a fall in warehouse stocks as a result of substantial outgoings.

Latest figures issued by the American Bureau of Metal Statistics showed that U.S. slab zinc stocks fell in October, despite an increase in production that month to the highest level since January 1977. There was a similar decline in U.S. lead stocks, again despite the highest output rate in October for 18 months.

Although copper stocks have also been falling the New York market was apparently upset by Noranda's move to cut its U.S. selling price from 72 to 71 cents a lb despite the strike at its Gaspe mine, and the much longer stoppage that still continues at International Nickel's Sudbury mines.

Meanwhile a forecast that copper prices will move up gradually for the next three years and then rise sharply from 1981 onwards was made by the Commodities Research Unit yesterday.

Releasing details of a special study looking at the prospects for copper over the next ten years, CRU predicted that by 1982 prices would be between $1 and $1.20 per lb in 1978 constant price terms disregarding inflation in the meantime.

It was claimed that consumption this year in the non-Communist world would top the previous peak in 1973 and reach 7.3m tonnes. Production would be down by some 750,000 tonnes to 6.7m resulting in a stocks decline by the end of the year of 600,000 tonnes to 1.7m tonnes.

But it was pointed out that the last big new production for several years will be coming on stream in 1979 and this should slow down the decline in stocks.

It was pointed out that the maintenance of output at levels not justified by demand had resulted in market prices remaining low despite the rise in consumption.

But the report suggests production capacity will rise only slowly, by 2 per cent annually, in the years ahead, because of lack of investment in new capacity. Consumption is expected to rise by an average of 3.25 per cent a year betwen 1977 and 1987.

The biggest increase is forecast for Brazil, but large rises in consumption are forecast for Italy, France, Japan and the United States.

West German growth is seen as more modest at 9.25 per cent, but the UK stands out sharply as the only major country where a decline of 10 per cent in consumption over the next two years, is predicted.

World sugar prices decline

BY RICHARD MOONEY

LONDON SUGAR prices fell to their lowest levels for two months yesterday in response to the announcement of a Mexican selling tender and a forecast of adequate world supplies next year.

Following a sharp fall in after-hours dealings on Tuesday the London daily raw sugar price was fixed £4 lower at £100 a tonne, and the March position on the London futures market closed at £110.45 a tonne, down £2.8 on the day.

Traders said Tuesday night's easier kerb (after-hours) level against New York was possibly influenced by a Commission House "sell" recommendation while the emergence of Mexico yesterday as a seller of 50,000 tonnes of prompt delivery raws was an additional "bearish" factor.

Another significant downward influence was a report in the *World Sugar Journal* forecasting that world sugar supplies would be adequate for 1979 even if international sugar agreement quotas were kept at their minimum levels. Forecasts that the sugar supply situation would be tight in the coming season had been a major steadying factor in the market in recent weeks.

In Tokyo meanwhile, it was announced that Mitsui and Co. had concluded a sugar swap deal with the Philippines Government and Czarnikow Rionda of the U.S. covering 150,000 tonnes of sugar for 1979 delivery.

Under the arrangement, which is designed to save freight costs, Mitsui will supply Philippines sugar to far eastern centres, chiefly South Korea, while Czarnikow Rionda will ship Central American sugar to the U.S.

● Reuter reports from New Delhi that the Indian Government has taken action to enable it to take over the management for three years of any sugar mill in the country which does not start crushing by November 15 or owes more than 10 per cent of its dues from the 1977-78 crushing season to cane growers by that date.

Minister of State for Agriculture Bhan U Pratap Singh said the authority was not intended to be used to take over mills indiscriminately but to put pressure on them to begin crushing and pay off their arrears.

Fiji to sell state shares

BY CHRISTOPHER PARKES

SUVA, Nov. 9.

THE FIJIAN Government is to sell 49 per cent of the shares in the prospering state-run Fiji Sugar Corporation, Ratu Sir Kamisese Mara, the Prime Minister, said here.

The sugar industry, which is the mainstay of the economy, was taken out of private hands in 1974. Since then it has been restructured and the four crushing mills renovated and extended.

In the coming season, the Prime Minister said, Fiji expects to produce a record 400,000 tonnes of sugar. Almost half of this will be sent to Britain under the terms of the Lomé Convention.

The Prime Minister said the $8m from the sale of shares would be ploughed back into the sugar cane industry. He hopes to sell the shares to growers, factory workers and the people of Fiji in general.

Soyameal supply setback

By Our Commodities Staff

A MAJOR breakdown at the Unimills factory at Erith, Kent, has forced the company to declare force majeure on soyabean meal and oil deliveries.

A company spokesman said it will be sometime next week before the breakdown, at the soya extraction plant, can be repaired. The company's other extraction plant is already fully committed to rapeseed.

Unimills, a Unilever subsidiary supplies about half the soyaoil and soyameal used in the UK.

On Wednesday Unilever declared force majeure on Dutch soyaoil deliveries for November because of breakdowns in several plants.

Coming hard on the heels of a three-week strike at Continental Grains Liverpool soyameal factory, which ended last week, the Unimills setback set off a sharp reaction on the European soya products market. Soyameal prices jumped from $228 a tonne to $240 a tonne cif Rotterdam yesterday.

From Rio de Janeiro, meanwhile Reuter reported that Brazil shipped 178,700 tonnes of soyabean meal in the week to November 5 against 122,000 tonnes the previous week and 83,200 tonnes in the week to November 6 last year, according to figures from SGS do Brasil.

This brings shipments for the March/February 1978/79 Brazilian crop year so far to 4,432,000 tonnes against 3,448,000 tonnes in the same 1977/78 period.

Bigger U.S. maize crop forecast

WASHINGTON, Nov. 9.

THE AGRICULTURE department raised its forecast of this year's maize harvest again saying the crop is likely to total 6.89bn bushels.

This would make it a record. Last month the agency forecast 6.82bn bushels. Last year's maize of 6.37bn bushels was the previous record.

The higher maize harvest estimate is likely to increase pressure on President Carter to order more maize acreage set aside from production in order to hold down next year's crop and help to keep farm prices from dropping.

Reuter

EEC AGRICULTURE

The best of West German farming

BY JOHN CHERRINGTON IN BONN

IT IS commonplace that visiting journalists are only shown the best of any country. So the farms I visited this week around Bonn were undoubtedly first class of their kind.

Nevertheless the rest of the country through which I was driven was well farmed and the stock to be seen, mainly dairy cows, were up to the standard of the very successful dairy farm visited.

This was in the hilly area on the outskirts of Cologne, and belonged to a farmer who had escaped from occupied Silesia with his family and crossed into Germany with no more than he and his family could carry in a suitcase in 1954.

Herr Ebert had started with 25 acres and six cows, on a farm which consisted largely of woodland, with the help of a loan of DM5,000 from a benevolent Swedish priest, and some help from the Government in the resettlement of refugees.

From then on he and his son have built up a herd of 70 cows and their followers, and a total acreage of 100 acres of which nearly 20 are woodland. The land was all purchased or rented in small lots from farmers who were going out of business and he told us that he was still looking for more land.

Grass is the only possible crop in the high rainfall of about 50 inches a year, and the fields are so small and broken up by woods and the remains of other farmsteads whose owners now work in town, that grazing management must be difficult.

The aim this year is to raise numbers to 90 head in milk which, with the young stock, will bring the total herd up to at least 150. To accommodate them he has built a new 90-cow cubicle unit complete with rotary parlour at a cost of DM240,000 (£66,000 or £700 a head).

In view of the general level of German costs this does not look excessive but Herr Ebert stated that much of the work was done by himself and a part-time employee.

To augment supplies of bulk feed, he buys 25 acres of maize for silage from a farm 25 kilometres away which costs him about £250 an acre delivered. Compound feed costs him £236 a year. His yields average about 1,000 gallons a cow.

The milk price amounts to 76p a gallon exclusive of purchase tax. The margin on milk has paid for the steady expansion of the holding so that there are now two houses as well as an old and new set of buildings.

Development

Herr Ebert's farm is a good example of how the gradual exodus of farmers from milk production as their farms become too small to be viable, are being replaced by larger units with increasing production.

No land in the area seemed to be wasted, but there was obviously a great deal of suburban development among which he was thriving.

The other farm that I visited was at Euskirchen just outside Bonn on a good loam soil on top of gravel. Extending to just under 700 acres of arable land, it is farmed on a very orthodox rotation based on sugar beet, wheat, winter barley, peas and beans. Yields were good with an average of 17 tonnes of sugar beet an acre without irrigation and more than two tonnes of wheat and winter barley.

Although the area has a low rainfall, just over 20 in, at harvest time it is often quite wet. It is well mechanised with three large tractors and two smaller ones besides a combine and specialised machinery, including some hired through a co-operative.

Total farming costs came to more than £200 an acre. Returns were hard to establish but the wheat price amounted to £121 a tonne with barley just below this figure. Sugar beet came to about £28 a tonne at 15 per cent sugar content for "A" quota production. Rent is £60 an acre and labour costs about £50.

The land is in three separate blocks a few kilometres apart and is all rented from a syndicate. There is a regular rent review every three years and the farmer, Herr Ditges, expected that he would be able to pass tenancy on to his son. Renting was for leases of 15 to 18 years but in general in Germany most of the land was owner-occupied.

Asked about his sugar beet quota Herr Ditges said that he only got the top price for about 70 per cent of the crop: the "B" quota sugar worked out at about 20 per cent less. If he had a good harvest the excess was classed as "C" quota and only fetched about a quarter of the "A".

He did not complain about this, and thought the quota system would one day have to apply to cereals and other products in surplus to market demand.

Potato futures market faces delay

BY OUR COMMODITIES EDITOR

ANY DECISION about starting a potato futures market in London is likely to be delayed for several months, and in any event trading will almost certainly not begin until 1980.

That was the view that emerged at a meeting this week of a working party set up to establish if there is a commercial need for a potato futures market in the UK.

Mr Tony Beeson, of the National Federation of Fruit and Potato Trades, who has been appointed chairman of the working party, said a special sub-committee had been asked to examine quality and contractual specifications for the proposed market.

It would be several months before this committee could be expected to report. Meanwhile there was a great deal of investigative work to be done before a final decision could be made on whether to go ahead.

Pressure for the introduction of a UK potato futures contract has built up in anticipation of Britain being forced to remove its present restrictions on imports, and special guaranteed prices for growers, in favour of free trading throughout the Common Market. A Dutch exporter, and the EEC Commission, already have submissions to the European Court against the UK import controls.

It is thought that the proposed introduction of a common potato policy within the EEC would mean a lower guarantee level for British growers with the Potato Marketing Board no longer able to support the market.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Sharply lower on the London tal Exchange. Forward metal opened £775 owing to the overnight decline on mex but then edged up to £776 on odest covering. Thereafter the price fell ay with the increase in MLR widening e contango to £31. A poor opening on mex caused a fresh downturn in the afternoon with forward material finally £768 on the late kerb. Turnover 13,250 tonnes.

OPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
irebars				
h	751.5-2	-14.5	746.7	-17
nonths	773.5-4	-12.5	767.5-8	-15.7
tl'm'nt	752	-14.5	—	......
thodes				
h	739.5-40	-14	733-4	-17.5
nonths	761-.5	-13	755-.5	-16.2
tl'm'nt	740	-14	—	......
S. Prod.	625	......	*72	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £750, 51.5; three months £775, 73.5, 74. Cathodes, £739.5; three months £761.5. Kerb: Wirebars, three months £775, 73.5, 74. Afternoon: Wirebars, three months £769, 68, 68.5, 69, 69.5, 70, 67, 67.5, 68, 67.5. Kerb: Wirebars, three months £768, 67.5, 67, 67.5, 68.

TIN—Higher. Forward metal opened slightly easier at £7,570 reflecting the fall in the eastern price. However covering against overnight U.S. physical business saw the price recover to £7,630. In the afternoon renewed U.S. interest caused forward metal to move further ahead to £7,650 prior to a close on the kerb of £7,630. Turnover 1,335 tonnes.

Morning: Standard cash £7,750, 85; three months £7,600, 7,590, 7,600, 05, 10, 15. Kerb: Standard, three months £7,615, 20. Afternoon: Standard, three months £7,620, 10, 20, 15, 20, 40, 35, 30, 35, 40, 55. Kerb: Standard, three months £7,630, 45, 40, 20.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7790-800	-47.5	7785-95	-25
3 months	7625-35	-48	7646-55	-40
Settlem't	7800	-45	—	......
Standard				
Cash	7790-80	-52.5	7785-95	-25
3 months	7615-20	-15	7635-40	-52.5
Settlem't	7780	-60	—	
Straits E.	$2030	-6	—	
New York	—	...	—	...

LEAD—Fell heavily owing to Commission House, U.S. and speculative selling which depressed forward metal from £404 at the opening to the day's low of £390 on the late kerb. Turnover 17,275 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	403.5-4	-25.7	400-2	-22
3 months	395-.5	-22.5	392.5-3.5	-18.7
Sett'ment	404	-28	—	......
U.S. Spot	—	......	*36.56	......

Morning: Cash £402, 2.5, 4, 3, 5, 4; three months £395, 94, 93, 92.5, 94, 95, 96, 95.5, 96, 95, 95.5. Kerb: Cash £402.5, 4; three months £394.5, 96. Afternoon: Three months £397, 96, 95, 94.5, 94, 95, 94.5, 94. Kerb: Three months £392, 92.5, 92, 91, 90.

ZINC—Lost ground in sympathy with other metals. Forward metal opened lower at £368 and fell away in quiet trading to close at £363.5 on the late kerb. Turnover 5,025 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	356.5-7.5	-5.25	351-2	-12
3 months	368.5-9	-5	363.5-4	-11¼
S'ment	357.5	-5	—	......
Prim.west	—	......	*33.5-4.5	......

Morning: Three months £367, 68, 69, 69, 68.5, 68. Kerb: Three months £365. Afternoon: Three months £367, 66.5, 65, 64, 64.5, 64, 63. Kerb: Three months £363, 63.5, 63.

ALUMINIUM—Easier in subdued trading with the market influenced by the downturn in other metals. Forward material traded in a narrow range closing at £608 on the late kerb. Turnover 1,600 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£		£	
Spot	—	......	—	......
3 months	609-10	-5.75	607-8	-4.75

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

Morning: Three months £610, 609.5. Afternoon: Three months £606.5, 8, 7, 7.5.

COMPANY NOTICE

BRITISH-BORNEO PETROLEUM SYNDICATE, LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the above Company will be closed from 25th November to 1st December, 1978, both days inclusive.

By Order of the Board.
RUSSELL LIMEBEER, Secretaries.
Registered Office:
2, Broad Street, Place,
London EC2M 7EP.
9th November, 1978.

SILVER

Silver was fixed 4.4p an ounce lower for spot delivery in the London bullion market yesterday at 294.45p. U.S. cent equivalents of the fixing levels were: spot 581.3c, down 7.2c; three-month 595.3c, down 6.8c; six-month 606.2c, down 6.8c; and 12-month 629.9c, down 9.5c. The metal opened at 296½-297½p (587-589c) and closed at 288½-290½p (570-572c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. close	+ or —
Spot	294.45p	-4.4	291.2p	-7.4
3 months	301.85p	-4.3	299.05p	-7.0
6 months	310.1p	-4.25	—	......
12 months	325.1p	-5.0	—	......

LME—Turnover 419 (156) lots of 10,000 ozs. Morning: Three months 302.7, 2.5. Kerb: Three months 302.2, 2.4. Afternoon: Three months 300.3, 300.2, 300.1, 300.3, 300.2, 300.1, 300, 299, 298.5, 8.9, 299, 9.1. Kerb: Three months 299.3, 9.1, 299, 9.1, 298.7, 8.5, 8.6, 8.7, 8.8, 8.7.

COTTON

COTTON, Liverpool—Spot and shipment sales in Liverpool amounted to 425 tonnes, bringing the total for the week so far to 1,115 tonnes. Recovery in demand brought extensive purchases, mostly in American-type varieties. Support was forthcoming in African and Turkish qualities.

COCOA

After opening £10 higher cocoa prices eased due to liquidation of longs to close at the days lows reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
Dec.	1958.0-67.0	-35.0	2050.0-1985
March	2055.0-56.5	-27.75	2075.0-2036
May	2067.5-69.0	-22.75	2105.0-2067
July	2070.0-71.0	-18.5	2099.0-66.0
Sept.	2060.0-65.0	-16.00	2090.0-50.0
Dec.	2020.0-30.0	-13.75	2050.0-30.0
March	2010.0-20.0	-10.0	

Sales: 5,733 (3,015) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price for Nov. 8: 179.93 (174.75). Indicator prices Nov. 9: 15-day average 179.02 (177.62); 22-day average 175.55 (174.57).

COFFEE

ROBUSTAS declined quite sharply in morning trading as trade selling triggered off commission house stop loss liquidation, Drexel Burnham Lambert reports. In the afternoon a rally prompted by a steady New York market took values to only £15 lower on the close. Dealers indicated a renewal of roaster interest at today's lows.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
November	1526-1529	-08.0	1525-1466
January	1442-1444	-08.0	1445-1416
March	1443-1445	-06.5	1443-1416
May	1290-1292	-14.5	1292-1270
July	1261-1264	-16.0	1270-1249
September	1233-1235	-18.0	1236-1225
November	1211-1215	-20.0	1210

Sales: 2,914 (1,555) lots of 5 tonnes.

ICO Indicator prices for Nov. 8 (U.S. cents per pound): Colombian Mild Arabicas 172.50 (172.00); unwashed Arabicas 153.50 (same); other mild Arabicas 149.17 (150.67); Robustas ICA 1976 130.00 (131.00); Robustas ICA 1968 131.00 (131.54). Daily average 149.59 (150.54).

GRAINS

LONDON FUTURES (GAFTA)—Old crop wheat opened 10p higher on good commercial buying. Values increased with good demand for the spot to close steady 30-45 higher. Barley opened unchanged and again saw thin trading. Values increased slightly on commercial buying and closed 20p higher with sellers apparent. New crops were again neglected. Acli reports.

M'nth	WHEAT Yesterday's close	+ or —	BARLEY Yesterday's close	+ or —
Nov.	88.95	-0.45	80.15	+0.20
Jan.	90.55	+0.50	82.50	+0.25
Mar.	92.95	-0.35	84.75	+0.20
May	95.45	+0.35	87.10	-0.20
Sept.	89.85	+0.30	83.50	+0.30

HGCA—Location ex-farm spot prices. Other milling wheat: N. Lincoln 89.10. Feed barley: N. Lincoln 77.40, Hants and W. Sussex 78.30.

The UK monetary coefficient for the week beginning November 13 is expected to decrease to 1.251.

IMPORTED—Wheat: CWRS No. 1 13½ per cent Nov.-Dec. 93.25 seller Tilbury. U.S. Dark Northern Spring No. 2 14 per cent Nov. 93.00 Dec. 91.50, seller transhipment east coast. U.S. Hard Winter 13½ per cent Dec. 89.50 quoted transhipment east coast. EEC unquoted. Maize: French Nov. 102.50, Dec. 102.50, seller transhipment east coast. S. African White Jan.-Feb. 67.75 UK. S. African Yellow Jan.-Feb. 67.75 UK. Barley: English feed fob Dec. 84.00, Jan.-March 86.00, sellers transhipment east coast.

EEC DAILY IMPORT LEVIES. The following EEC levies and premiums are effective for November 10 in order current levy plus Dec., Jan. and Feb. premiums, with previous in brackets. All in units of account per tonne. Common wheat: 75.93 rest nil (78.93 rest nil). Durum wheat: 121.09, rest nil (121.09 rest nil). Rye: 81.20, rest nil (81.20, rest nil).

Barley: 85.52, rest nil (85.52, rest nil). Oats: 81.49, rest nil (81.49, rest nil). Maize: (other than hybrid for seeding): 79.09, rest nil (79.09, rest nil). Buckwheat: 1.61, rest nil (1.61, rest nil). Millet: 46.90, rest nil (46.90, rest nil). Grain sorghum: 77.95 rest nil (77.95, rest nil). Flour levies: Wheat or mixed wheat and rye flour 121.31 (121.70). Rye flour: 125.23 (125.23).

RUBBER

EASIER opening on the London physical market. Little buying interest throughout the day, closing dull. Lewis and Peat reported the Malaysian godown price was 260 (262) cents a kilo (buyer, December). Futures values were sharply lower in active trading.

No. 1 R.S.S.	Yesterday's Close	Previous Close	Business Done
Dec.	62.10-62.40	64.10-64.30	65.10-62.60
Jan.	63.20-63.30	65.10-65.25	
Jan-Mar	64.50-64.60	66.20-66.40	65.50-64.75
Apr-Jne	67.40-67.45	69.50-69.60	68.50-66.25
Jly-Sept	69.60-69.65	71.50-71.55	70.50-69.50
Oct-Dec	72.15-72.10	73.25-73.40	72.60-71.50
Jan-Mar	74.30-74.35	75.45-75.55	74.70-74.50
Apr-Jne	76.45-76.50	77.65-77.75	76.85-76.25
Jly-Sept	78.75-78.80	79.90-79.95	79.05-78.00

Sales: 154 (125) lots of 15 tonnes and 17 lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 63.5p (same); Dec. 63.75p (same); Jan. 64.75p (same).

SOYABEAN MEAL

MARKET opened £2-£2.50 lower where good trade buying steadied values £1 from the lows. The afternoon saw prices dip again on news that President Carter would seek curbs in U.S. expenditure. The market closed on the lows of the day.

	Yesterday Close	+ or —	Business Done
	£ per tonne		
December	122.0-122.5	-2.35	123.20-122.00
February	125.1-125.2	-3.75	126.50-125.00
April	123.5-123.6	-3.60	125.50-123.60
June	124.5-124.6	-3.65	—
August	125.0-125.0	-1.7	—
October	124.0-124.6	-0.75	—
December	120.0-124.6	-1.25	—

Sales: 161 (117) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar) £100.00 (£104.00) a tonne cif for Nov.-Dec. shipment. White sugar daily price was fixed at £105.00 (£109.00).

The market opened around overnight levels and [illegible] prices were confined within a 75 points trading range throughout the day, reports C. Czarnikow.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
Dec.	105.25-07.00	109.50-09.65	110.00-06.00
March	110.40-10.5	113.25-13.50	113.50-09.80
May	112.90-13.00	115.50-15.5	115.00-11.60
Aug.	115.20-15.75	117.95-18.00	118.05-14.80
Oct.	117.50-18.00	120.80-20.95	120.25-18.00
Dec.	120.40-20.5	123.10-23.25	122.00-20.10
March	124.0-24.5	126.60-17.50	124.25

Sales: 5,346 (2,981) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £264.55 (same) a tonne for home trade and £170.00 (£171.50) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for Nov. 8: Daily 8.33 (8.41); 15-day average 8.77 (8.80).

WHITE SUGAR: Close (in order buyer, seller, business, sales). Feb. 109.25, 110.00, 112.00-112.00, 20; April 112.90, 113.50, 115.00-115.00, 55; July 117.0, 118.95, nil, nil; Sept. 121.00, 123.50, nil, nil; Nov. 126.00, 128.00, nil, nil; Feb. 130.00, 134.00, nil, nil; April 133.00, 138.00, nil, nil. Sales: 105.

WOOL FUTURES

LONDON—Dull and featureless, reports Bache.

(Pence per kilo)

Australian Greasy Wool	Yesterday's Close	+ or —	Business Done
December	328.0-31.0	......	—
March	335.0-36.0	......	—
May	337.0-40.0	......	—
July	330.0-45.0	......	—
October	330.0-38.0	......	—
December	340.0-42.0	+6.50	—
March	342.0-44.0	+5.00	—
May	340.0-45.0	-1.00	—

Sales: Nil (same) lots of 1,500 kg.

SYDNEY GREASY—Close (in order buyers, seller, business, sales). Micron Contract: Dec. 348.5, 349.4, 350.0-345.5, 35; March 353.5, 354.0, nil, nil; May 357.0, 357.5, 358.0-357.0, 12; July 360.5, 361.0, 362.1-361.0, 5; Oct. 362.0, 363.0, 365.3-362.5, 5; Dec. 364.5, 365.5, 366.1-365.0, 22; March 367.0, 371.0, nil, nil; May 368.0, 372.0, 371.8-371.8, 1. Total sales: 84.

NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales): Dec. 183.0-186.0, nil, nil; March 183.0-188.0, nil, nil; May 182.0-188.0, nil, nil; July 182.0-[illegible], nil, nil; Oct. 185.0-190.0, nil, nil; Dec. 192.0-196.0, nil, nil; March 192.0-198.0, nil, nil; May 192.0-198.0, nil, nil.

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets on November 9. GB—Cattle 68.24p per kg.l.w. (+0.37). UK—Sheep 152.0p per kg.est.d.c.w. (-0.1). GB—Pigs 66.5 per kg.l.w. (-0.5). England and Wales—Cattle numbers up 3.4 per cent, average price 67.70p (+0.66). Sheep up 0.6 per cent, average 152.5p (-0.9). Pigs up 11.1 per cent, average 66.5p (-0.5). Scotland—Cattle down 7.9 per cent, average 70.01p (+0.56). Sheep down 7.4 per cent, average 124.4p (-4.3).

SMITHFIELD (pence a pound)—Beef: Scotch killed sides 54.0 to 58.0; Eire hindquarters 61.0 to 67.0, Eire forequarters 27.0 to 29.0.

Veal: Dutch Hinds and Ends 90.0 to 96.0.

Lamb: English small 52.0 to 59.0, medium 52.0 to 56.0, heavy 48.0 to 52.0. Scotch medium 52.0 to 56.0, heavy 45.0 to 50.0; Imported frozen NZ YLs 49.0 to 50.0.

Pork: English under 100 lbs 37.0 to 46.0, 100-120 lbs 38.0 to 45.0, 120-160 lbs 37.0 to 42.0.

Grouse: Young best (each) 180.0 to 200.0.

Partridges: young (each) 200.0 to 240.0.

COVENT GARDEN (Prices in sterling per package except where otherwise stated)—Imported Produce: Lemons—Italian: 120/150's new crop 5.50-6.00; S. African: 4.00-5.00; Cypriot: Trays 3.30-3.50; Greek: 6.00. Oranges—S. African: Valencia Late 4.30-5.60; Brazilian: Valencia Late 4.70-4.50; Argentinian: 4.30-5.20; Spania: Navelinas 3.60-4.50. Satsumas—Trays 1.50-3.50. Grapefruits—Dominican: 3.60-4.20; Cypriot: 3.50-4.00; Israeli: Jaffa 4.20-4.65; Cuban: 5.00; Texan: Red Blush 5.50. Apples—French: Golden Delicious 20 lb 72 2.30-2.40, 84 2.00-2.10, 40 lb 138-163 175 4.20-4.40, jumble pack per pound 0.07-0.08; Stark Crimson 20 lb 72 1.80-2.00, 84 1.60, jumble pack approx 30 lb 1.50-1.80; Granny Smith 20 lb 72 2.40, 84 1.80-2.00, large boxes 105/163 4.00-4.40; Canadian: McIntosh Reds 20 lb 70/90's 2.70-2.90. Pears—Italian: Per pound Williams 0.15-0.16, Passacrassane 0.10; Dutch: Beurre Hardy per pound 0.08. Grapes—Italian: Black Regina 2.50; Spanish: Almeria 2.60-2.80, Negri 3.70-3.80. Bananas—Jamaican: Per pound 0.14. Avocados—Israeli: 4.00. Capsicums—Dutch: Per 5 kilos 4.40. Onions—Spanish: 1.60-2.40; Dutch: 1.80-2.00. Melons—Spanish: Yellow 6/14 3.50-3.80, Green 4.00-4.25. Tomatoes—Jersey: 1.80-2.60; Spanish: 2.00-2.40; Canary: 3.00. Dutch: 2.30-2.50. Cucumbers—Canary: 10/16's 2.20-2.60. Dates—Algerian: Per glove box 0.22-0.25; Californian: Tubs 0.20-0.30. Pomegranates—Spanish: Per box 40.0's 1.50-2.00. Walnuts—French: Per pound Grenobles 0.40; Italian: Wet 0.40; Californian: 0.52-0.55; Chinese: 0.30. Brazils—LWM per pound 0.50. Tocantins 0.28-0.40. Chestnuts—Italian: 10 kilos 6.20-6.40; Spanish: 5 kilos 3.20-4.50.

English produce: Potatoes—Per 25 kilos 1.10-1.50. Lettuces—Per 12 round 1.00, Cos 1.20, Webbs 1.40. Cucumbers—Per tray 12/24's new crop 3.00-3.50. Mushrooms—Per pound 0.50-0.55. Apples—Per pound Bramley 0.05-0.08, Lord Derby 0.04-0.05, Cox's Orange Pippin 0.08-0.13, Worcester Pearmains 0.05, Russets 0.04-0.08, Spartan 0.06-0.08. Pears—Per pound Conference 0.08-0.14, Comice 0.12-0.16. Tomatoes—Per 12 lb English 2.60-2.70. Cabbages—Per crate 0.50-0.90. Celery—Per head 0.07-0.10. Cauliflowers—Per 12 Lincoln 0.30-1.00, Kent 1.20. Beetroots—Per 28 lb 0.60-0.70. Carrots—Per 28 lb 0.40-0.70. Capsicums—Per pound 0.35. Courgettes—Per pound 0.30. Onions—Per bag 1.50-2.00, Picklers 2.00-2.50. Swedes—Per 28 lb 0.50. Turnips—Per 28 lb 0.70-0.80. Parsnips—Per 28 lb 0.60. Sprouts—Per pound 0.04-0.05. Cobnuts—Per pound Kent 0.40.

RICE SURPLUS IN PHILIPPINES

MANILA, Nov. 8.

The Philippines will still have an exportable surplus of rice for next year despite massive damage from three typhoons, said Francisco Tatad, information minister.

About 340,000 tonnes of rice was lost from typhoon damage. But Philippines' production is still forecast at 4m tonnes in 1979, together with 1m tonnes of emergency store. There should be an exportable surplus of 140,000 tonnes, he added.

Reuter

PRICE CHANGES

Price in tonnes unless otherwise stated.

	Nov. 9 1978	+ or —	Month ago
Metals			
Aluminium	£710	......	£710
Free market (cts)	$1,100/20	......	$1120.50
Copper cash W Bars	£746.5	-17.0	£759
3 months do. do.	£767.75	-15.75	£777.75
Cash Cathode	£733.5	-17.5	£747.75
3 months do. do.	£755.25	-16.25	£768.75
Gold Troy oz.	$210.125	-9.25	$214.875
Lead cash	£401	-22.0	£422.5
3 months	£393	-18.75	£407.75
Nickel			
Free Market (cif) (lb)	$1.75		$1.78
	1.88		1.90
Platinum troy oz.	£142	......	£150
Free Market	£166.35	-4.5	£161.25
Quicksilver (76lb.)	$126/30	......	$120.25
Silver troy oz.	294.45p	-4.4	301.2p
3 months	301.85p	-4.3	308.95p
Tin Cash	£7,790	-25.0	£7,550
3 months	£7,657.5	-52.5	£7,375
Tungsten (a)	$143.71	......	$142.54
Wolfram 22.04 cif	$143.48	......	$142.47
Zinc cash	£351.5	-12.0	£360.5
6 months	£363.75	-11.75	£370.25
Producers	$730	......	$675
Oils			
Coconut (Phil)	$850x	......	$770
Groundnut	......		
Linseed Crude (v)	£345	-10.0	£320
Palm Malayan	$608u	......	$605
Seeds			
Copra Philip	$570t	-10.0	$525
Soyabean (U.S.)	$276x	-9.75	$275
Grains			
Barley			
Home Futures	£82.5	-0.2	£83.65
Maize			
French No. 3 Am	£102.5	......	£101
Wheat			
No. 1 Red Spring	£95.25x	-0.25	£93.55
No.2 Hard Winter	£89.5x	-0.25	
English Milling†	£91.5x	......	£91
Cocoa shipment†	£2,081	-15.5	£1,852
Future Mar.	£2,026.2	-27.75	£1,929
Coffee Future			
Jan	£1,447	-8.0	£1,375.5
Cotton 'A' Index	79.15c	-0.2	76.3
Rubber kilo	62p	-1.5	61.25p
Sugar (Raw)	£100	-4.0	£111
Wooltops 64s kilo	272p	......	273

* Nominal. † New crop. [illegible] n Nov.-Jan. a Sept. v Oct.-Nov. [illegible] Dec. u Jan. w Dec. [illegible] z Indicator prices.

INDICES

FINANCIAL TIMES

Nov. 9	Nov. 8	Month ago	Year ago
260.62	264.24	264.00	257.52

(Base: July 1, 1952=100)

REUTERS

Nov. 9	Nov. 8	Month ago	Year ago
1521.1	1533.2	1517.0	1462.5

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Nov. 7	Nov. 6	Month ago	Year ago
Spot	395.42	394.81	380.53	357.58
Future	391.97	392.22	381.75	376.58

(Average 1924-25-26=100)

MOODY'S

Moody's	Nov. [illegible]	Nov. 8	Month ago	Year ago
Spie Commty	981.7	983.5	975.2	835.5

(December 31, 1931=100)

*

GRIMSBY FISH—Supply moderate, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£6.00, codlings £3.00-£3.50; large haddock £6.00, medium £4.40-£5.00, small [illegible]; large plaice £4.60-£5.50, medium [illegible], best small £2.70-£4.50; [illegible] £7.50, medium £5.00; [illegible] £5.50; [illegible] £5.50 [illegible]; reds £2.50-[illegible].

US Markets

Gold and copper fall sharply

NEW YORK, Nov. 9.

PRECIOUS metals collapsed on aggressive speculative liquidation following renewed central bank intervention in support of the dollar. Copper closed sharply lower on trade arbitrage selling and Commission House stop-loss selling in sympathy with precious metals. Cocoa and sugar also finished the day on an easier note as speculative liquidation in sympathy with the weakness in precious metals weighed on the markets, Bache reports.

Cocoa—Dec. 174.55 (178.30), March 176.75 (177.50), May 177.65, July 177.60, Sept. 177.90, Dec. 165.00. Sales: 990.

Coffee—"C" Contract: Dec. 149.00 (145.20), March 173.00-173.25 (175.60), May 175.00-175.45, July 172.50, Sept. [illegible], Dec. 129.00-129.00, March [illegible]. Sales: 761.

Copper—Nov. 65.20 (66.60), Dec. 65.55 (67.15), Jan. 66.30, March 68.00, May 69.20, July 70.40, Sept. 71.30, Dec. 72.35, Jan. 72.55, March 73.65, May 74.45, July 75.25, Sept. 76.05. Sales: 9,814.

Cotton—No. 2: Dec. 68.75-68.87 (69.50), March 71.75-71.85 (71.56), May 72.40, July 73.50, Oct. 65.20-65.45, Dec. 65.70-66.75, March 67.00 bid. Sales: [illegible].

***Gold**—Nov. 207.50 (217.0), Dec. 209.50 (219.30), Jan. 210.10, [illegible] 212.40, April 216.20, June 220.50, Aug. 225.20, [illegible] 229.60, Dec. 234.20, [illegible] 237.60, April 242.40, June 246.[illegible], Aug. [illegible]. Sales: [illegible].

†Lard—Chicago loose 27.00 (same). [illegible] prime steam 25.50 asked (26.00 traded).

‡‡Maize—Dec. 229-229¼ (231), March 235¾-236 (238¼), May 240¾-241, July 243½-244¼, Sept. 240½-241, Dec. 252-252.

§Platinum—Jan. [illegible], April 329.60 (339.50), July [illegible] asked, [illegible] 337.10 asked, Jan. 340.50 asked, April 344.00 asked, July 347.50 asked.

†Silver—Nov. 569.00 (584.70), Dec. 573.60 (587.00), Jan. 572.70, March 586.00, May 590.00, July 599.50, Sept. 609.10, Dec. 623.50, Jan. 629.50, March 637.70, May 646.50, July 655.40, Sept. 664.40. Handy Harman spot bullion 569.50 (587.0).

Soyabeans—Nov. 657-658 (666), Jan. 668-670 (681), March 682-683, May 688-689, July 690, Aug. 682-684, Sept. 667, Nov. 653.

Soyabean Meal—Dec. 151.50-152.00 (157.80), Jan. 154.00-153.00 (155.50), March 156.10, May 154.50, July 154.60, Aug. 154.90, Sept. 152.00-153.00, Oct. 179.00-179.50, Dec. 175.50-179.00.

Soyabean Oil—Dec. 23.60-23.70 (24.22), Jan. 23.65-23.75 (24.02), March 24.05-24.04, May 24.20-24.15, July 24.55-24.50, Aug. 24.40, Sept. 24.05-24.00, Oct. 23.99-23.97, Dec. 23.50.

Sugar—No. 11: Jan. [illegible], March [illegible], May [illegible], July [illegible], Sept. [illegible], Oct. [illegible], Jan. [illegible], March [illegible]. Sales: [illegible].

Tin—[illegible] nom.

****Wheat**—Dec. [illegible], March [illegible], May 340-340, July 323½-324, Sept. 329 asked, Dec. [illegible].

WINNIPEG, Nov. 9. **††Rye**—Nov. [illegible] nom., Dec. 101.50 (102.[illegible] asked), May [illegible].90 bid, July 109.40 nom.

††Oats—Dec. 84.20 (84.00), March [illegible] asked, 79.20 asked, May 77.40 asked, July 77.[illegible] bid.

‡‡Barley—Dec. 76.20 bid (77.00 bid), March 75.00 asked (75.90), May 73.40 bid, July 73.60 bid.

§§Flaxseed—Nov. 271.50 bid (272.[illegible] bid), Dec. 267.00-267.20 bid (268.50 bid), May 271.50 bid, July 271.00 bid.

****Wheat—SCWRS** 13.5 per cent protein content cif St. Lawrence 152.52 (153.[illegible]).

All cents per pound ex-warehouse unless otherwise stated. *$s per troy ounce—100-ounce lots. †Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob NY bulk tank cars. ‡ Cents per 56-lb bushel ex-warehouse, 5,000-bushel lots. § $s per troy ounce for 50-oz units of 99.9 per cent purity delivered NY. [illegible]

STOCK EXCHANGE REPORT

Unexpectedly big rise in MLR triggers Gilts setback

Equities overshadowed and index closes 2.7 down at 471.7

Account Dealing Dates

Option

First Dealings	Declarations	Last Dealings	Account Day
Oct. 30	Nov. 9	Nov. 10	Nov. 21
Nov. 13	Nov. 23	Nov. 24	Dec. 5
Nov. 27	Dec. 7	Dec. 8	Dec. 19

* "New time" dealings may take place from 9.30 am two business days earlier.

Yesterday's unexpectedly large increase of 2½ points to 12½ per cent in Minimum Lending Rate sharply reversed morning firmness in both Gilt-edged securities and leading equities. The former were extending Wednesday's upturn—gains of ½-point were prevalent among the longer maturities—when the 12.30 pm MLR announcement that the rate had been raised a full point more than expected saw quotations revert to overnight list levels.

Buyers were not too disillusioned at first but a continuation of the easier trend caused bewilderment. Selling pressure on the market was thought to be light and an effort by dealers to restore trade in the absence of any developments regarding the respective tap stock levels only aggravated the decline. Business later came to a standstill amid a certain amount of confusion with operators awaiting the Chancellor's comments in the debate on the Queen's speech; news of the unchanged monetary target came well after the close of business.

Final losses in British Funds ranged almost to a point, a turnround of 1½ points on the day, mainly in the longer-dated issues, while the shorts sustained falls extending to ½. As a result, the FT Government Securities reacted 0.57 to a low for the year of 68.06.

Equity markets were overshadowed by the events in Gilts. Initial hopes of Wednesday's upturn on reports that the Government and TUC had reached a draft agreement on pay had lost momentum before the MLR change and thereafter the prospect of dearer money caused leading issues to fall back. The pattern was measured by a 10 am rise of 2.4 in the FT Industrial Ordinary share index, a loss of 3.5 at the 2 pm calculation and a close of 2.7 lower on balance at 471.7. Trade remained depressed with bargains marked, at 4,107, much the same as on Wednesday.

Rebounding sharply from a quietly dull start, the investment currency premium recovered from 77½ to touch 80 per cent as institutional buyers returned to the market and closed 2¾ higher on the day at 79¾ per cent following a good business. Yesterday's SE conversion factor was 0.7321 (0.7420).

HK & Shanghai dull

Slightly more interest was shown in the Traded Option market yesterday. Of the 584 contracts completed, over 48 per cent were transacted in three stocks. **Grand Metropolitan** recorded 97 deals, while **EMI** and **RTZ** had 95 and 93 respectively.

The 2½ per cent hike in the minimum lending rate had no apparent impact on the major clearing banks. Prices moved narrowly in thin trading and closed easier for choice. **Bank of Ireland** rallied 8 to 393p and the **10 per cent Convertible Loan 1991-96** improved 3 points to £180 from the lower levels which followed Tuesday's disappointing interim results. Foreign banks had a notable casualty in **Hongkong and Shanghai**, which lost 8 to 237p on Far-Eastern advices. In Merchant banks, **Hambros** added 4 at 167p but **Hill Samuel** softened a penny to 89p following comment on the interim statement.

Among Breweries, **Boddingtons** finished a penny easier at a 1978 low of 99p following adverse Press comment and **Higsons** 3 cheaper at 75p on the reduced earnings. Elsewhere, **Distillers** were actively traded up to 194p before closing a penny easier on balance at 190p.

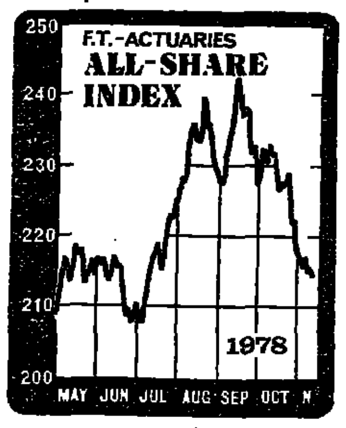
Buildings failed to hold modest gains, but were not seriously tested. **Tarmac** touched 147p before settling 5 higher on balance at 140p following news on the disposal of its loss-making Nigerian interests. Elsewhere, recent high-flyer **Brown and Jackson** encountered further profit-taking and eased 10 for a two-day fall of 18 to 224p. **William Leech** added a penny to 84p in response to satisfactory interim profits, while **Royco** and **Milbury** found a little support and improved to 42½p and 2 to 42p respectively.

Initially up to 367p, **ICI** eased back to close just a penny higher on balance at 362p. Elsewhere, a resurgence of speculative interest lifted **Bernard Wardle** 2½ to a high for the year of 34p and, on the appearance of a few buyers, **Thurgar Bardex** firmed 2 to a 1978 peak of 22p.

Fears that the trend towards dearer credit will stifle consumer spending unsettled the Store majors which closed easier throughout. **Burton "A"** dipped 3 to 165p, while losses of a couple of pence were seen in **Marks and Spencer**, 81p, **UDS**, 89p, **W. H. Smith "A"** 145p, and **Mothercare**, 152p. Elsewhere, **Executex**, an erratic market of late, moved up 5 to 45p.

Electrical leaders were quiet and little changed, but **Philips' Lamp** gained 30 to 850p on overseas advices. Rises of 5 were seen in **Electrocomponents**, 278p, and **Geo. H. Scholes**, 305p. Having been actively traded up to 90p in sympathy with Chubb's interim performance, **Automated Security** finished 2 cheaper on the day at 84p. In thin markets, small selling clipped 5 from **Louis Newmark** at 260p and 9 from **Henry Wigfall** at 221p.

Engineering majors failed to hold initial gains. Up to 422p at one stage, **John Brown** reacted to settle at 412p for a fall of 4 on balance. **Hawker Siddeley** closed a similar amount cheaper at 224p, while **Vickers** finished 3 down at 191p. Elsewhere, **Staveley Industries** ended 3 off at 275p, after 273p, following interim results below expectations. **Jenks and Cattell** dipped 9 to 71p on the sharp downturn in annual profits, while **Porter Chadburn**, down 2 at 95p, reflected the profits warning. **Edbro** remained on offer and fell 6 more to 212p, while losses of around 5 were marked against **ML Holdings**, 170p, **Spirax-Sarco**, 158p, and **Victor Products**, 115p. Awaiting today's interim results, **Wolseley-Hughes** reacted 4 to 198p. Among the occasional bright spots, **Richardsons Westgarth**, a poor market of late, rallied 2 to 44p, while scattered buying interest lifted **Mining Supplies** a similar amount to 111p. **Capper-Neill** were quoted ex rights at 73p, with the new shares at 6p premium.



J. Sainsbury hardened 2 for a two-day gain of 11 to 225p following the good interim figures. Elsewhere in Foods, **Associated Biscuit** edged forward a penny to 74p following news of the acquisition of **Bendicks (Mayfair)** from **Wood Hall Trust**. **J. Bibby** rose 4 to 274p, but small selling in a restricted market left Dublin-based **Barrow Milling** 5 easier at a 1978 low of 60p. **Spillers** were a shade cheaper at 30½p following the reports of short-time working.

Hotels and Caterers had opposing movements in **Ladbroke**, 3 better at 162p, and **Grand Metropolitan**, 2½ easier at 102p. **J. Borel** reflected currency influences with an improvement of ¾ to £24¾.

Misc. leaders mixed

Firm at first, miscellaneous Industrial leaders turned lower in reaction to the bigger-than-expected increase in minimum lending rate and closed narrowly mixed. **Beecham** ended 2 off at 633p, after 640p, while **Glaxo** were similarly lower at 535p, after 540p. **Pilkington** rose 5 to 283p. Elsewhere, renewed speculative demand in a restricted market helped **Viscose Development** harden 2 more to 72p, while improvements of 3 and 4 respectively were recorded in **Lawtex**, 58p, and **Ricardo**, 314p. **Wood Hall Trust** finished a penny dearer at 91p despite the lower preliminary profits and **Barlow Rand** gained 8 to 215p on further consideration of the results. Adverse comment clipped 4 from **Smith Industries** at 192p, while **Wilson Walton** sustained a similar fall to 33p. Early support ahead of the forthcoming results saw **Sotheby's** improve to 317p before reacting late to close a net 3 lower on balance at 312p. Dull domestic influences continued to depress Hong Stocks including **Jardine Matheson** which fell 14 to 204p, after 200p, and **Swire Pacific** 7 down at 117p, after 114p.

Interest in Motors was chiefly confined to secondary issues. Down to 154p immediately ahead of the first-half results, **Flight Refuelling** recovered to 162p, a rise of 4 on balance after the announcement. In Components, **Lucas** ended only a penny at 299p, after 303p, while **Dowty** eased a couple of pence to 248p. Distributors tended lower. **Harold Perry** lost half of Wednesday's rise, falling 3 to 105p, and **Hartwells** ran back from early gains to record a loss of 2 at 96p despite favourable Press mention following the interim figures.

Already unsettled by the prospect of dearer money trends, the unexpectedly sharp rise in Minimum Lending Rate prompted renewed dullness in leading Properties. **MEPC** shed 5 to 132p, while **Land Securities** and **Stock Conversion** eased 4 to 222p and 250p respectively. **Great Portland Estates**, initially a couple of pence better at 214p on the interim profits advance, finished 2 lower on balance at 210p. **Allnatt (London)** made early progress to 220p in response to the improved half-year returns, but closed 2 easier at 214p. Similarly, sharply higher annual profits and the proposed separation of property investments from housebuilding lifted **Bellway** to 74p at one stage, but subsequent profit-taking left the close 2 cheaper on balance at 70p. **Bush and Tompkins** gave up 3 more for a two-day loss of 8 in belated response to the lower-than-expected interim profits, but **Bradford** added 5 more for a rise of 10 to 250p since the mid-term profits announcement.

Apart from **Royal Dutch**, which moved ahead ⅜ to £40⅜ in sympathy with firmness in the dollar premium, leading Oils rarely strayed far from the overnight closing levels. A shade easier at 866p for most of the day, **British Petroleum** firmed up following a little late support to close 2 harder on balance at 872p. Elsewhere, selling on an unwilling market took **Siebens (U.K.)** down to 226p before a close of 234p for a fall of 16.

A slow business left Investment Trusts narowly mixed. In Financials, **Massmutual Mortgage** reflected currency influences with an *improvement of 35 to 875p.*

Common Bros. finished unchanged at 160p, after 162½p, following the interim figures which were substantially boosted by ship sales. Other Shippings drifted gently lower, **Furness Withy** losing 3 to 238p and **British and Commonwealth** 5 to 285p.

In front of today's expected statement on the merger talks, **John Haggas** touched a new 1978 high of 178p, before closing a net 2 up at 175p, while **Dawson** fell 5 to 179p, while the "A" the same amount easier at 178p. On the sharply increased interim profits and encouraging statement, **Ash Spinning** rose 8 to 37p. Revived buying in a market none too well supplied with stock helped **Sirdar** to gain 5 to a 1978 peak of 98p.

Among South African Industrials, **S.A. Breweries** slipped 4 to 63p despite the good interim figures, but **Greatermans** returned to favour with an improvement of 10 to 125p.

Ashton Mining debut

Most of the attention in mining markets was focused on the debut of **Ashton Mining**, which has a 22 per cent stake in the Ashton diamond venture in the Kimberley region of Western Australia.

After a good showing in overnight domestic markets the shares opened in London at 66p and improved throughout the day *to close at 69p, compared with the* offer price of 50p. Turnover, however, was described as disappointing.

Among the other participants in the venture **Northern Mining**, which holds 5 per cent, put on 2 to 84p, while **Conzinc Riotinto**, the major participant with over 52 per cent, were unchanged at 250p and the London-registered **Tanks** similarly unchanged at 160p.

The three-day rally in South African Golds came to an abrupt halt following the sharp fall in the bullion price which was finally $9.25 down at $210.125 per ounce.

Share prices tended to drift throughout the day on lack of interest and the Gold Mines index eased 3.4 to 135.7. The ex-premium index gave up 4.2 to 99.3.

Thanks to the firmer investment dollar premium, South African Financials recovered most of the initial losses which had stemmed from the fall in the bullion price. **De Beers** were finally 2 higher at 354p, after being 348p, while **Anglo American** ended only a penny cheaper at 296p, after 293p.

Platinums fell sharply in the wake of the decline in both the bullion price and free market platinum price. **Impala** dropped 12 to 188p, **Rustenburg** 5 to 91p and **Lydenburg** 4 to 63p.

Elsewhere, **Westfield Minerals** jumped to 173p owing to heavy "new-time" buying prior to closing 20 higher at 162p. **Northgate**, an associate of Westfield, advanced 35 to 390p, after 400p, in sympathy.

OPTIONS

ACCOUNT DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov. 7	Nov. 20	Feb. 8	Feb. 20
Nov. 21	Dec. 4	Feb. 22	Mar. 6
Dec. 5	Dec. 18	Mar. 8	Mar. 20

For rate indications see end of Share Information Service

Money was given for the call in **Burton Warrants**, **Avon Rubber**, **English Property**, **Frank Gates**, **Premier Consolidated Oil**, **Ladbroke Warrants**, **Spillers**, **Tesco**, **Bath and Portland**, **Hong Kong and Shanghai Banking**, **Lonrho**, **Barker and Dobson**, **Natwest Warrants**, **Ultramar**, **C. H. Industrial**, **Frederick Cooper**, **F. W. Woolworth**, **Tate and Lyle** and **Allied Breweries**. A put was taken out in **Consolidated Plantations**, while doubles were arranged in **Mersey Docks Units**, **Bath and Portland** and **Ultramar**.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
Shell Transport ...	25p	10	555	—	602	484
BP ...	£1	9	872	+ 2	926	720
BATs Defd. ...	25p	8	229	− 3	304	227
Barclays Bank ...	£1	8	345	—	368	298
Rank Org. ...	25p	8	240	—	296	226
Glaxo ...	50p	7	535	− 2	648	515
ICI ...	£1	7	362	+ 1	421	328
Lloyds Bank ...	£1	7	255	− 1	297	242
Marks & Spencer	25p	7	81	− 2	94	67½
Beecham ...	25p	6	633	− 2	743	583
Bowater ...	£1	6	175	—	212	163
European Ferries	25p	6	123	− 1½	143	99
GEC ...	25p	6	307	− 1	340	233
Lon. & Northern	25p	6	35	− 3	39	24
Tate & Lyle ...	£1	6	176	—	218	164

FINANCIAL TIMES STOCK INDICES

	Nov. 9	Nov. 8	Nov. 7	Nov. 6	Nov. 3	Nov. 2	A year ago
Government Secs.	68.06	68.63	68.58	68.55	68.58	68.66	76.95
Fixed Interest	69.80	70.05	70.01	70.02	70.06	70.17	78.47
Industrial	471.7	474.4	469.5	475.4	472.4	472.6	469.7
Gold Mines	135.7	139.1	135.9	135.1	131.9	134.0	146.0
Gold Mines (Ex-$ pm.)	99.3	103.5	100.8	99.7	96.6	97.3	107.5
Ord. Div. Yield	5.76	5.74	5.79	5.71	5.75	5.78	5.48
Earnings Y'ld% (full)	16.12	16.06	16.20	15.77	15.88	15.95	16.48
P/E Ratio (net) (*)	8.05	8.06	8.01	8.37	8.42	8.33	8.65
Dealings marked	4,107	4,093	4,434	3,938	4,683	5,106	5,110
Equity turnover £m	—	67.19	67.16	81.92	60.74	78.28	74.34
Equity bargains total	—	13,695	12,664	12,968	13,382	16,005	13,476

10 am 476.8. 11 am 475.0. Noon 475.4. 1 pm 471.5. 2 pm 470.5. 3 pm 471.8.

Latest Index 01-246 8026.

*Nil=7.84.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. Ex-$ pm index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	68.06 (9/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	69.80 (9/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	130.3 (6/1)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines Ex-$ pm.	132.3 (14/8)	90.5 (18/4)	337.1 (3/4/74)	54.3 (25/6/76)

S.E. ACTIVITY

	Nov. 9	Nov. 8
—Daily		
Gilt-Edged ...	153.7	169.7
Industrials ...	137.8	133.5
Speculative ...	34.5	26.6
Totals ...	95.5	93.3
5-day Average		
Gilt-Edged ...	159.9	158.1
Industrials ...	142.8	151.6
Speculative ...	35.1	38.5
Totals ...	96.8	102.3

LONDON TRADED OPTIONS

Option	Ex'rcise price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	800	95	5	116	[illegible]	[illegible]	[illegible]	869p
BP	850	58	[illegible]	80	[illegible]	100	[illegible]	
Com. Gold	160	25	20	29	[illegible]	[illegible]	[illegible]	171p
Com. Gold	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Courtaulds	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	116p
Courtaulds	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GEC	300	21	30	29	[illegible]	[illegible]	[illegible]	308p
Grand Met.	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	102p
Grand Met.	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Grand Met.	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	362p
ICI	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Secs.	240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell	550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell	600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Totals			[illegible]		[illegible]		[illegible]	
		November		February		May		
Boots	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
EMI	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
EMI	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Imperial Gp	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RTZ	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RTZ	240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Totals			[illegible]		[illegible]		[illegible]	

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (4)

BUILDINGS (1)
Fed. Land

CHEMICALS (2)
Thurgar Bardex — Wardle Bernard

TRUSTS (1)
Kellock

NEW LOWS (72)

BRITISH FUNDS (30)
Treas. 11¾pc 1979 — Treas. 9pc 1983
Treas. 10½pc 1979 — Exchqr. 10pc 83
Treas. 9pc 1980 — Funding 5½pc 85-87
Treas. 9½pc 1980 — Treas. 5pc 1986-89
Exchqr. 13pc 1980 — Treas. 8½pc 1987-90
Treas. 11½pc 1981 — Treas. 10pc 1992
Treas. 9¾pc 1981 — Exchqr. 12¼pc 1992
Exchqr. 9¾pc 1981 — Funding 6pc 1993
Exchqr. 12¾pc 1981 — Treas. 13¾pc 1993
Treas. 8¼pc 80-82 — Treas. 15¼pc 1996
Treas. 14pc 1982 — Exchqr. 10½pc 1997
Treas. 8½pc 1982 — Treas. 15½pc 1998
Exchqr. 9½pc '82 — Treas. 10½pc 1999
Exchqr. 8¼pc 1983 — Exchqr. 12pc '13-17
Treas. 12pc 1983 — War Loan 3½pc

CORPORATION LOANS (9)
B'ham 9¾pc '79-81 — Lond. Corp. 9½pc
Bristol 7¾pc '79-81 — 1984-85
G.L.C. 12½pc 1982 — Do. 6¾pc 1988-90
Glasg. 9¼pc '80-82 — N'castle 9½pc '78-80
L'pool 9¼pc '80-84 — Warwick 12½pc '80

LOANS (1)
F.F.I. 9pc A '91-94

BEERS (1)
Boddingtons

BUILDINGS (2)
Aberdeen Const. — Higgs & Hill

STORES (4)
Debenhams — Lincroft Kilgour
Grattan Warehouses — Martin Newsagent

ELECTRICALS (1)
Pye Hldgs.

ENGINEERING (7)
Braithwaite — R.C.F. Hldgs.
CompAir — Weir Group
Manganese Bronze — Woodhouse & Rixson
Porter Chadburn

FOODS (1)
Barrow Milling

INDUSTRIALS (7)
Finlas — Myson
Gestetner A — Petrocon
Hoover A — Tebbitt
Lebon (Fobel)

INSURANCE (1)
Phoenix

MOTORS (1)
Zenith A

PAPER (1)
Inveresk

TEXTILES (2)
Haggas (J.) — Sirdar

TOBACCOS (1)
Bat Inds.

TRUSTS (1)
M. & G. 2nd Dual

MINES (2)
Rhodesian Corp. — Western Areas

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds ...	—	76	—
Corpns. Dom. and Foreign Bonds ...	—	52	30
Industrials ...	209	451	867
Financial and Prop. ...	61	132	321
Oils ...	4	16	17
Plantation ...	3	6	22
Mines ...	16	47	58
Recent Issues ...	5	4	17
Totals ...	298	784	1,332

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A$0.50	F.P.	[illegible]	[illegible]	[illegible]	Ashton Mining 50c.	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	28	[illegible]	[illegible]	[illegible]	[illegible]	7.1
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	112	[illegible]	[illegible]	[illegible]	[illegible]	9.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hongkong Land 8% Loan	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	West Kent Water 7% Pref. 1985	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Nil	[illegible]	[illegible]	[illegible]	Capper-Neill	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Fothergill & Harvey	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Pawson W. L.	[illegible]	[illegible]
155	F.P.	[illegible]	[illegible]	[illegible]	Time Products	175	[illegible]
12	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ‡ Placing price to public. pt Pence unless otherwise indicated. § Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs., Nov. 9, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Wed. Nov. 8 Index No.	Tues. Nov. 7 Index No.	Mon. Nov. 6 Index No.	Fri. Nov. 3 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	226.15	−0.3	17.25	5.57	7.96	226.90	226.72	229.35	227.83	206.56
2	Building Materials (27)	194.13	+0.5	18.21	5.83	7.55	193.22	193.84	195.66	194.66	191.50
3	Contracting, Construction (28)	359.67	−0.8	20.62	4.50	6.96	362.65	362.19	364.78	363.92	335.66
4	Electricals (14)	521.92	−0.2	13.90	3.55	9.94	523.19	521.85	529.22	523.40	487.40
5	Engineering Contractors (14)	353.24	−0.5	18.23	6.29	7.44	355.17	357.04	357.51	354.32	280.13
6	Mechanical Engineering (72)	177.02	−0.7	18.88	6.20	7.10	178.35	178.06	180.35	179.62	161.82
8	Metals and Metal Forming (16)	162.03	−0.2	16.59	8.82	8.35	162.40	162.44	164.27	163.09	157.79
11	CONSUMER GOODS (DURABLE) (53)	198.58	+0.1	17.71	5.39	7.57	198.36	198.11	201.01	199.80	197.29
12	Lt. Electronics, Radio, TV (16)	243.89	+0.3	14.90	4.21	9.41	243.06	244.00	247.01	243.84	240.27
13	Household Goods (12)	170.10	—	17.90	6.69	7.69	170.11	170.04	171.53	172.19	182.55
14	Motors and Distributors (25)	118.79	−0.2	22.40	7.09	5.69	119.08	117.89	120.23	120.61	117.91
21	CONSUMER GOODS (NON-DURABLE) (172)	201.09	−0.6	16.57	6.17	8.13	202.33	200.93	202.64	201.96	200.37
22	Breweries (14)	220.95	−0.3	15.36	6.45	9.06	221.72	219.57	222.08	221.95	225.82
23	Wines and Spirits (6)	268.50	−0.4	15.85	5.36	9.41	269.65	265.91	268.28	265.72	227.17
24	Entertainment, Catering (17)	250.49	−0.9	14.59	7.02	10.00	252.77	250.28	253.27	251.31	254.71
25	Food Manufacturing (19)	196.84	+0.1	19.73	5.56	6.71	196.74	196.35	198.28	199.01	200.71
26	Food Retailing (15)	217.52	−0.1	14.10	4.77	9.88	217.69	216.31	217.33	217.44	220.50
32	Newspapers, Publishing (12)	371.63	−0.4	21.26	6.51	6.65	373.16	371.82	373.97	375.66	329.28
33	Packaging and Paper (15)	131.48	−0.3	19.59	7.57	6.72	131.87	131.86	132.64	131.77	128.50
34	Stores (40)	189.70	−1.1	12.01	4.96	11.99	191.85	190.28	191.75	190.97	194.21
35	Textiles (25)	172.37	−0.6	18.94	8.49	6.85	173.46	171.98	173.41	171.82	166.01
36	Tobaccos (3)	220.31	−0.9	24.99	8.51	4.74	222.21	220.82	222.30	220.85	215.85
37	Toys and Games (6)	94.19	−0.8	24.87	6.86	4.86	94.94	95.60	97.29	96.81	109.85
41	OTHER GROUPS (99)	192.44	−0.3	16.30	6.32	7.90	193.06	192.27	194.61	193.39	198.94
42	Chemicals (19)	274.05	+0.1	16.72	6.90	7.78	273.66	270.22	273.73	272.36	261.00
43	Pharmaceutical Products (7)	244.94	−0.4	11.54	4.23	10.55	245.86	245.33	247.59	245.22	[illegible]
44	Office Equipment (6)	124.75	−0.4	19.48	6.11	6.12	125.24	126.64	128.21	127.21	121.57
45	Shipping (10)	402.26	−1.1	15.45	7.51	8.26	406.86	406.58	410.93	410.86	453.56
46	Miscellaneous (57)	205.69	−0.6	18.36	6.83	7.23	206.92	206.87	209.62	208.28	199.05
49	INDUSTRIAL GROUP (495)	211.59	−0.4	16.76	5.99	7.98	212.48	211.58	213.83	212.74	206.18
51	Oils (5)	492.25	+0.1	14.20	4.08	7.65	491.71	493.25	493.22	489.32	499.19
59	500 SHARE INDEX	234.91	−0.3	16.37	5.70	7.93	235.70	234.97	237.08	235.77	230.26
61	FINANCIAL GROUP (100)	158.63	−0.4	—	6.15	—	159.32	159.58	161.38	159.74	167.22
62	Banks (6)	186.99	−0.4	24.97	6.27	6.01	187.77	188.50	190.60	188.27	188.89
63	Discount Houses (10)	198.53	—	—	8.86	—	198.51	198.90	201.10	201.18	215.41
64	Hire Purchase (5)	140.17	−0.1	17.38	5.88	7.59	140.26	140.72	143.16	143.44	177.04
65	Insurance (Life) (10)	126.08	−0.3	—	7.45	—	126.48	126.54	127.81	126.69	138.65
66	Insurance (Composite) (7)	115.15	—	—	7.61	—	115.18	115.73	117.82	116.23	138.73
67	Insurance Brokers (10)	310.69	+0.1	15.27	5.33	9.37	310.24	318.09	311.54	306.79	317.18
68	Merchant Banks (14)	76.55	−0.2	—	6.39	—	76.72	76.73	76.95	77.17	84.43
69	Property (31)	245.68	−1.3	3.54	3.07	48.13	249.04	247.68	250.20	248.82	220.87
70	Miscellaneous (7)	104.86	−0.6	24.13	8.02	5.36	105.51	106.26	106.27	106.40	102.40
71	Investment Trusts (50)	199.96	+0.1	—	5.28	—	199.82	200.14	200.95	200.15	193.63
81	Mining Finance (4)	100.47	−1.5	18.71	7.09	6.58	101.95	101.73	102.45	101.37	91.74
91	Overseas Traders (19)	307.78	−0.7	16.13	7.52	7.78	309.96	310.16	312.76	308.70	277.16
99	ALL-SHARE INDEX (673)	214.65	−0.4	—	5.82	—	215.43	215.00	216.95	215.54	212.16

FIXED INTEREST PRICE INDICES

	British Government	Thurs., Nov. 9	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	102.39	−0.49	—	8.19
2	5-15 years	111.61	−0.95	—	8.37
3	Over 15 years	115.80	−0.88	—	12.59
4	Irredeemables	119.85	−0.79	—	13.32
5	All stocks	109.28	−0.74	—	9.94

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Thurs., Nov. 9	Wed., Nov. 8	Year ago (approx.)
1	Low Coupons	5 years	9.61	9.45	6.59
2		15 years	11.46	11.31	9.50
3		25 years	12.23	12.10	10.19
4	Medium Coupons	5 years	12.66	12.45	9.17
5		15 years	12.68	12.54	10.28
6		25 years	12.68	12.54	10.52
7	High Coupons	5 years	12.85	12.62	9.46
8		15 years	13.24	13.10	11.28
9		25 years	13.28	13.16	11.50
10	Irredeemables		12.14	12.04	10.34

		Thurs., Nov. 9 Index No.	Thurs., Nov. 9 Yield %	Wed. Nov. 8	Tues. Nov. 7	Monday Nov. 6	Friday Nov. 3	Thurs. Nov. 2	Wed. Nov. 1	Tues. Oct. 31	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	55.86	13.42	56.06	56.12	56.15	56.15	56.13	56.18	56.18	62.20
16	Investment Trust Prefs. (15)	51.63	13.51	51.86	51.88	51.86	51.70	51.66	51.68	51.65	56.67
17	Coml. and Indl. Prefs. (20)	71.78	13.04	71.79	71.86	71.90	72.00	71.80	71.80	72.00	78.01

‡ Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

مكتبة من الأصل

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. Ltd. (a)

Allied Hambro Group♥ (a)(g)

Anderson Unit Trust Managers Ltd.

Archway Unit Tst. Mgs. Ltd.♥ (a)(c)

Barclays Unicorn Ltd. (a)(c)(g)

Frambington Unit Mgt. Ltd. (a)

Friends' Provdt. Unit Tr. Mgrs.♥

G.T. Unit Managers Ltd.♥

G. & A. Trust (a)(g)

Gartmore Fund Managers ♥ (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd.

Govett (John)♥

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration♥ (a)(c)(g)

Hill Samuel Unit Tst. Mgrs.† (a)

Intel.♥ (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers♥

L & C Unit Trust Management Ltd.♥

Lawson Secs. Ltd.♥ (a)(c)

Legal & General Tyndall Fund♥

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.♥ (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

M & G Group♥ (y)(c)(z)

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mgemnt. Ltd.

Murray Johnstone U.T. Mgmt.♥ (a)

Mutual Unit Trust Managers♥ (a)(g)

National and Commercial

National Provident Inv. Mngrs. Ltd.♥

National Westminster♥ (a)

NEL Trust Managers Ltd.♥ (a)(g)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt.♥ (a)

Piccadilly Unit Trust (a)(b)

Practical Invest. Co. Ltd.♥ (y)(c)

Provincial Life Inv. Co. Ltd.♥

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)

Quilter Management Co. Ltd.♥

Reliance Unit Mgrs. Ltd.♥

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rothschild & Lowndes Mgmt. (a)

Rowan Unit Trust Mngt. Ltd.♥ (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Save & Prosper Securities Ltd.♥

Save & Prosper continued

Scotbits Securities Ltd.♥

Schlesinger Trust Mngrs. Ltd. (a)(z)

J. Henry Schroder Wagg & Co. Ltd.♥

Scottish Equitable Fnd. Mgrs. Ltd.♥

Sebag Unit Tst. Managers Ltd.♥ (a)

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd.♥ (a)(g)

Target Tst. Mgrs. (Scotland) (a)(b)

Trades Union Unit Tst. Managers♥

Transatlantic and Gen. Secs. Co.♥

Tyndall Managers Ltd.♥

TSB Unit Trusts (y)

Ulster Bank♥ (a)

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

Commodity & Gen.	63.7	69.6	-0.7	5.59
Do. Accum.	75.7	82.7	-0.7	5.59
Growth	34.9	37.6	.....	3.45
Do. Accum.	37.4	40.3	.....	3.45
Capital	25.5	27.5	-0.1	4.09
Do. Accum.	28.0	30.1	.....	4.08
Income	51.4	55.3	-0.1	6.87
Do. Accum.	59.9	64.5	-0.1	6.87
International	41.6	45.8	-0.1	3.39
Do. Accum.	44.4	47.9	-0.1	3.39
High Yield	61.2	65.9	-0.1	8.57
Do. Accum.	66.9	71.9	-0.2	8.57
Equity Exempt*	104.0	109.7	.....	5.77
Do. Accum.*	104.0	109.7	.....	5.77

*Prices at Oct. 31. Next dealing Nov. 30.

CORAL INDEX: Close 467-472

INSURANCE BASE RATES

†Property Growth 10¼%

†Vanbrugh Guaranteed 10.87%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.♥

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.♥

Canada Life Assurance Co.

Cannon Assurance Ltd.♥

Capital Life Assurance♥

Charterhouse Magna Gp.♥

City of Westminster Assur. Co. Ltd.

City of Westminster Assur. Soc. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

50 Chancery Lane, WC2A 1HE. 01-242 0282

♥Equity Fund	168.6	177.6	.....	—
♥Managed Fund	186.3	195.6	.....	—
♥PIP Fund		610.3	.....	—
Pensl. Pen. Mngd.	78.4	82.5	.....	—
Staffgd Magd Pn.	78.4	82.3	.....	—
Group Mngd. Pen.	197.8	201.2	.....	—
Fixed Int. Pen.	206.0	207.0	.....	—
Equity Pension	250.4	256.8	.....	—
Property Pension	150.1	153.9	.....	—

Cornhill Insurance Co. Ltd.

32 Cornhill, E.C.3. 01-626 5410

Cap. Feb. Oct. 15	130.0	—	.....	—
GS Spec Oct 15	54.5	—	.....	—
Mn Gth.Fd. Oct. 20	179.5	189.0	.....	—

Credit & Commerce Insurance

120 Regent St., London W1R 5FE. 01-439 7081

C&C Magd. Fd.	122.0	132.0	.....	—

Crown Life Assurance Co. Ltd.♥

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.♥

General Portfolio Life Ins. C. Ltd.♥

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.♥

Guardian Royal Exchange

Hambro Life Assurance Limited♥

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.♥

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assurance Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General (Unit Pensions) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

11, Queen Victoria St., EC4N 4TP. 01-248 9678

L&GPrp.Fd. Nov.7	98.7	103.9	.....	—

Next sub. day Dec. 1.

Life Assur. Co. of Pennsylvania

39-42 New Bond St., W1Y 0RQ. 01-493 8395

LACOP Units	97.4	102.3	.....	—

Lloyds Bk. Unit Tst. Mngrs. Ltd.

71 Lombard St., EC3. 01-623 1288

Exempt	96.4	101.4		7.93

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd.

The London & Manchester Ass. Gp.♥

M & G Group♥

Merchant Investors Assurance♥

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (U.K.) Ltd.♥

Norwich Union Insurance Group♥

Pearl Assurance (Unit Fds.) Ltd.

Phoenix Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.♥

Property Growth Assur. Co. Ltd.♥

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

222, Bishopsgate, E.C.2.

Prov. Managed Fd.	120.7	127		
Prov. Cash Fd.	106.7	112		
Gilt Fund 20	114.7	120		
Property Fund	101.3	106		
Equity Fund	99.3	104		
Fxd. Int. Fund	96.7	101		

Prudential Pensions Limited

Holborn Bars, EC1N 2NH.

Equit. Fd. Oct. 18	£26.37	27.1		
Fxd. Int. Oct. 18	£19.20	19.4		
Prop. Fd. Nov. 18	£27.74	28.6		

Reliance Mutual

Tunbridge Wells, Kent.

Rel. Prop. Bds.		209.0		

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group♥

Schroder Life Group♥

Scottish Widows' Group

Solar Life Assurance Limited

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (U.K.) Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.♥

Tyndall Assurance/Pensions♥

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Guaranteed see 'Ins. Base Rates' table.

Welfare Insurance Co. Ltd.♥

Windsor Life Assur. Co. Ltd.

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Australian Selection Fund NV

Bank of America International S.A.

Banque Bruxelles Lambert

Barclays Unicorn Int. (Ch. Is.) Ltd.

Barclays Unicorn Int. (I. O. Man) Ltd.

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Tst. Mngmt. (CI) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

For Capdirex SA see under Keyser Ullman Ltd.

Capital International S.A.

For Central Assets Mngt. Ltd see under Keyser Ullman Ltd.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst.Mgt.Jrsy.Ltd.

The English Association

Eurobond Holdings N.V.

F. & C. Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Bank (Guernsey) Ltd./Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Baring Fund Mgrs. Ltd.

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Invest. Mgmt. Intnl.

International Pacific Inv. Mngt. Ltd.

J.E.T. Managers (Jersey) Ltd.

Jardine Fleming & Co. Ltd.

Keyser Ullmann Ltd.

King & Shaxson Mgrs.

Kleinwort Benson Limited

Lloyds Bk. (C.I.) U/T Mgrs.

Lloyds Bank International Geneva

Management International Ltd.

M & G Group

Samuel Montagu Ldn. Agts.

Murray, Johnstone (Inv. Adviser)

Negit S.A.

Negit Ltd.

Phoenix International

Quest Fund Mngmnt. (Jersey) Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Rothschild Asset Mngt. (Bermuda)

Royal Trust (CI) Fd. Mgt. Ltd.

Save & Prosper International

Schlesinger International Mngt. Ltd.

Schroder Life Group

J. Henry Schroder Wagg & Co. Ltd.

Sentry Assurance International Ltd.

Singer & Friedlander Ldn. Agents

Stronghold Management Limited

Surinvest (Jersey) Ltd. (x)

TSB Unit Trust Managers (C.I.) Ltd.

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

Unilife Assurance (Overseas) Ltd.

Union-Investment-Gesellschaft mbH.

Utd. Intnl. Mngmnt. (C.I.) Ltd.

United States Tst. Intl. Adv. Co.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

World Wide Growth Management

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
105½	99½	Treasury 11½pc 79‡‡	99½	−¼	11 52	12 00
97	93¼	Treasury 3pc 79‡‡	95¼	−½	3 15	8 88
97⅞	95½	Electric 4½pc 74-79	96¼	−¼	4 42	8 76
104¼	99	Treasury 10½pc 79‡‡	99	−¼	10 61	11 60
96½	94¼	Electric 3½pc 76-79	95⅝xd	−⅛	3 66	8 09
103½	96¼	Treasury 9pc 1980‡‡	96¼	−⅛	9 33	11 69
102½	96½	Treasury 9½pc 80‡‡	96½xd	−⅛	9 85	12 15
95½	92½	Treasury 3½pc 77-80	93½xd	−⅛	3 74	7 94
96½	93¼	Funding 5¼pc 78-80‡‡	94½xd	−¼	5 56	9 06
110¼	100⅝	Exchequer 13pc 1980‡‡	100⅝xd	−⅛	12 92	12 64
106¼	97½	Treasury 11½pc 1981‡‡	97½	−⅛	11 78	12 68
91½	88¼	Treasury 3½pc 1979-81	88⅝	−⅛	3 94	9 29
101¼	94⅝	Treasury 9¾pc 1981‡‡	94⅝	−⅛	10 30	12 40
97¼	91½	Exch 8¼pc 1981	91½xd	−¼	9 02	12 21
100¼	92¼	Exch 9½pc 1981	92¼	−⅛	10 24	12 65
87½	85⅝	Exch 3pc 1981	85¼	−⅛	3 50	8 89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly	22½	......	—	—
41	33	Do. 5pc Pref	41	....	—	—
98	98	Chilean Mixed	98	....	—	f3 10
415	350	German Yng. 4½pc	411	....	4½	—
54	46	Greek 7pc Ass	50	....	3½	f7.20
51	46	Do 6pc 28 Stab Ass	49	....	6	f6.24
44	40	Do 4pc Mixed Ass	40	......	4	f5.13

BONDS & RAILS—Cont.

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
55	42	Hung. '24 Ass	50	..	4½	f5 66
77	65	Ireland 9½pc '83-88	68	.	—	12.80
88	82¼	Ireland 7½pc 81-83	$83½	−¼	7½	13.02
91	77	Do 9¼pc 91-96	77	−½	..	13 43
425	265	Japan 4pc '10 Ass	385		—	
87	68½	Do 6pc 83-88	70	..	6	11 50
160	140	Peru Ass 3pc	150xd	..	3	2 00
75p	75p	S.G.I. 6½pc 1980	75p		6½	8.67
599	594½	Turin 9pc 1991	594½		9	9 53
DM91	DM81	Turin 6½pc 1984	DM91xd	.	6½	8 45
97	94	Uruguay 3½pc	97	.	3½	3 79

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

1978 High	Low	Stock	£	+ or —	Div. Gross	Cvr	Y'ld Gr's
21¼	13½	ASA	17½	−⅛	$1 00	—	2 9
60½	59	AMF 5% Conv '87	59		5%	—	14 8
38⅝	22	Amax $1	29¾	+⅛	$2 20	—	3 7
50⅞	19½	American Express	20⅝	+⅛	$1 60	—	3 9
24¼	11	Amer Medic Int	13⅛		60c	—	2 4
15⅝	912p	Asarco Inc	967p	+15	40c	—	2 1
29¾	17⅝	Baker Intnl Corp $1	21½	+¼	Q44c	—	1 5
19¾	11⅞	Barnes Grp $6⅔	15⅝		90c	—	2 9
33½	22	Bendix Corp $5	24¾	−⅛	$2 56	—	5 2
23½	13	Beth Steel $8	13⅝	+⅛	$1.00	—	3 7
13	625p	Brown'g Fer r 16⅔	785p	−5	50c	—	3.2
14	857p	Brunswick Corpn $	942pxd	+24	70c	—	3.8
65⅝	41⅞	Burroughs Corp $5	49¾	+½	$1 60	—	1.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

S.E. List Premium 30% (based on US$1.9730 per £)
Conversion factor 0.7321 (0.7443)

CANADIANS

[illegible]

S.E. List Premium 30% (based on $2.3135 per £)

BANKS AND HIRE PURCHASE

[illegible]

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

1978 High	Low	Stock	Price	+ or —	Div Net	Cvr	Y'ld Gr's	P/E
252	165	Hillards 10p	205	......	4.94	5.0	3.6	6.6
95	59	Hinton (A.) 10p	89	−1	2.91	5.3	4.9	5.5
£40⅝	£28⅝	Kraft $2.50	£30¾	−¼	Q$2.86	ϕ	4.6	ϕ
117½	79	Kwik Save 10p	82	....	th2.64	2.5	4.8	12.6
41	27	Leamons Gp. 10p	35	....	d1.67	2.3	7.1	6.9
176	128	Linfood Hldgs	138	−1	9.43	1.6	10.2	7.6
122	100	Lockwoods	103	......	4.12	4.5	6.0	5.6
58	20	Lovell (G.F.)	57	......	22.0	—	—	—
126	90	Low (Wm.) 20p	96	......	6.11	ϕ	10.0	ϕ
157	72	Lyons (J.) £1	153	......	[illegible]	[illegible]	7.5	—
174	120	Matthews (B.)	163	......	[illegible]	3.4	8.5	5.3
91	75	Meat Trade Sup.	83	..	d7.37	1.0	13.3	11.3
73	22	Morgan Eds. 10p	73	......	—	—	—	—
97	55	Morris (W.) 10p	86	−1	[illegible]	7.5	1.3	15.3
116	77	Northern Foods	97	..	3.75	3.5	5.8	9.8
109	70	Nurdin P'k. 10p	74	−1	[illegible]	5.1	3.8	7.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

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London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

$15¼	$10¼	[illegible]	$11½	−½	Q170c	1.8	17.0
$11¼	850c	[illegible]	895c	−25	tQ75c	1.7	10.1
585c	750c	[illegible]	415c	+5	—	—	—
$28¾	$16⅞	[illegible]	$18⅞xd	−½	Q315c	ϕ	19.4
$15⅛	975c	[illegible]	$11⅛xd	−¼	Q150c	ϕ	15.5
$13⅝	900c	[illegible]	$10	−¼	Q190c	ϕ	22.0
465c	373c	[illegible]	400c	−10	tQ22c	2.3	6.3
$22½	$16⅛	Vaal Reefs 50c	$18½	−½	Q115c	3.3	7.2
$37	$25	West Drie. R1	$29¾	−½	Q385c	1.7	14.9
$31¼	$19¼	West Hold. 50c	$22⅞xd	−¼	Q415c	ϕ	21.1
$12½	895c	Western Deep R2	$10¼	−¼	Q125c	2.4	9.3

NOTES

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FINANCIAL TIMES
Friday November 10 1978

DEBATE ON RHODESIA SANCTIONS BUSTING

Wilson challenged on oil meeting document

BY PHILIP RAWSTORNE

LORD THOMSON, former Commonwealth Secretary, has challenged Sir Harold Wilson's version of the Labour Government's handling of Rhodesian sanctions busting in 1969.

In a robust speech in the Lords last night during a debate on the renewal of the sanctions order, Lord Thomson angrily rejected the suggestion that he (Lord Thomson) had been unaware of the implications of the "swop arrangements2" revealed at a meeting with British oil company chiefs.

He said it had been "deeply disturbing" to hear Sir Harold state that he had never seen the Foreign Office record of the meeting that had been sent to him.

"The record of this particular meeting had to be regarded as a most important paper. The record itself, published in Bingham, shows I was in no doubt about its importance."

He insisted that when it was discovered that British oil was being diverted into Rhodesia, the fact was reported to the Cabinet's Overseas and Defence Committee of which Sir Harold was chairman.

The main lines of British policy had been directed collectively at the highest level, he declared.

Lord Thomson said that, in his view ,the Government as a whole had acted in the best interests of the British economy and the continued pursuit of a peaceful settlement in Rhodesia.

Lord George Brown, former Foreign Secretary, also told peers that until March 1968 at least no member of the Cabinet could claim ignorance of the Government's Rhodesian policy.

"I would be most surprised to learn that the position changed in any material respect after that," he said. The Rhodesian policy had been "very much a Number 10 spectacular" throughout, he said.

Tory peers were strongly urged by Lord Carrington, Tory leader in the Lords, to vote in support of sanctions at the end of the debate.

Party leaders were also making strenuous efforts last night to restore a semblance of order and unity among Tory MPs after the rebellion on Wednesday night against the Shadow Cabinet's advice to abstain in the Commons vote.

Mrs. Margaret Thatcher, Conservative leader, with two vacancies in her front bench team after the rebellion, is to consider this weekend whether to take the opportunity for a wider reshuffle of her front bench spokesmen.

Only strong persuasion from Mr. Humphrey Atkins, Tory Chief Whip, prevented four or five other Tory front benchers from joining Mr. John Biggs-Davison, Ulster spokesman, and Mr. Winston Churchill, Defence spokesman, in the rebellion.

Mr. Churchill, who delivered his requested resignation yesterday, voted in spite of several appeals. Mrs. Thatcher herself asked him as he entered the Lobby: "Winston, do you have to do this?" The Tory leader was said to be unrepentent about her actions in spite of continued rumblings of discontent in the party yesterday.

The Shadow Cabinet had taken its stand to enable it to deal effectively with the sanctions issue when *it entered Government,* she told rebels. All members of her team were expected *to observe its collective responsibility.*

Last night Mr. Julian Amery, Tory MP for Brighton, was still considering whether to resign the Tory Whip in protest.

However, Mr. Churchill took his dismissal with equanimity. "Politics is full of ups and downs," he said, adding that he had not abstained because he considered there was no argument in favour of sitting on the fence.

For the first time we were being asked to impose sanctions against a multi-racial Government, in Rhodesia, committed to majority rule "and that is a wholly new situation."

Mr. Biggs-Davison said he believed sanctions were detrimental both to British interests and to a settlement in Rhodesia. "I voted in accordance with my known opinions, long and deeply held."

Another of the rebels, and a close adviser to Mrs. Thatcher, was Mr. George Gardner, MP for Reigate, who said Tory MPs had been "deeply unhappy" about the party's abstention.

"It was an issue which should never have divided the party. Our *priority must be to demonstrate* now that we are all united *in* our resolve to put Margaret Thatcher into 10 Downing Street."

Parliament Page 10. Politics Today Page 23

Uneasy truce on EEC fibres

BY GILES MERRITT

BRUSSELS, Nov. 9.

THE EEC Commission will not proceed against Europe's dozen leading man-made fibre producers for operating an illegal cartel. The producers have, however, been refused permission to take the market-sharing steps they claim be needed to avoid a damaging price war.

In an uneasy compromise that has postponed but not defused the conflict over the synthetic fibre producers' "crisis cartel," the 13-member Commission decided that the pact signed by the producers last June could not be permitted. The Commission said it should be amended.

The changes required by the Commission are likely to be the subject of further strong opposition from the producers and some of their Governments. Executives in Brussels are relieved that the Commission has accepted the principle of a cartel and thus headed off an open clash between itself and the industry.

Before this week's examination of the cartel by the Commission, the synthetic fibres producers had threatened to defy the Commission if it failed to find a formula permitting their three-year internal market agreement.

In the coming week, the Commission starts fresh talks with the producers on a modified cartel.

The industry still suggests that it may ignore the Commission's authority if the hard-pressed Italian industry is prevented from having a greater share of a redistributed market.

Controversial

The cartel has become a controversial issue in the EEC Commission.

It sums up the conflict between the Commission's twin roles as guardian of the Community's regulations and architect of an EEC industrial policy.

The cartel was originally signed with the encouragement of Viscount Etienne Davignon, the EEC Industry Commissioner, but was challenged shortly afterwards by M. Raymond Vouel, the Competition Commissioner.

The split in the Commission provoked by M. Vouel's intervention is far from healed. A terse statement here today made clear that while the original cartel contravened Article 85 of the Rome Treaty, an agreement that conformed with the looser requiremens of Article 87 is to be the subject of urgent negotiations between the Commission and the producers which should be completed next month.

In effect, the Commission decision means that the cuts in production capacity in the June cartel agreement, already started by a number of producers, will be permitted.

But the delivery quota redistribution of market shares that the producers insist is the most important element of their plan would not be acceptable under the terms of Article 87.

European fibres industry, Page 6

THE LEX COLUMN

Leapfrogging the money market

Two years ago Minimum Lending Rate was 15 per cent; this time last year it was 5 per cent; now the pendulum has swung viciously back with the authorities deciding to leapfrog the money market yesterday, and raise MLR to 12½ per cent. It was a move which quickly reversed an early rise in equities and left gilt-edged close to a point down at the long end, with the FT Government Securities index reaching a new 1978 low. Yet the technical strength of the long end was shown by the fact that persistent buying was taking place at the lower levels.

The good news that came early in the afternoon was that the Central Government Borrowing Requirement was negative—i.e., a repayment—in October to the tune of £156m. This has relieved fears that after the bad September figures the Government's budget forecasts might have been going wrong, although the November tax rebates are still to come and the higher levels of interest rates will now increase the deficit. The more important news, however, was delayed until well after market hours. It eventually emerged that the authorities have decided to leave the sterling M3 target growth band "unchanged" at 8-12 per cent over the next 12 months.

In selecting the new target the authorities had to bear in mind that with growth in the first half apparently slipping below the bottom end of the target range, some tightening is implied over the year to next April. They also will have been aware that to reduce the targets without appropriate fiscal adjustments could have been counterproductive as proved the case after the April budget when the gilt-edged market took fright. What is slightly disappointing, however, is that with an unchanged target it has still been thought necessary to jack up short-term interest rates.

Index fell 2.7 to 471.7

The decision, taken presumably in the light of the Treasury's updated economic forecasts, reflects once again on the inappropriateness of the government's fiscal stance at this stage of the economic cycle. Once more the private sector is being crowded out, and the reasons for the equity market's recent weakness are underlined. The authorities are adopting the usual policy at such moments of pushing short rates to a level which the market will see as a ceiling (as was tried, remember, with 10 per cent in June). Clearly the Government is also growing anxious about sterling and U.S. interest rates, and the crisis rate may serve to convince the markets (and the trade unions?) that its threats to react to excessive wage rises are to be taken seriously.

But it is not yet apparent whether the authorities will be able to play the Duke of York game successfully in selling debt. This morning will be interesting in the gilt-edged market. Yesterday, the jobbers were building a large bear position in the long tap, supplying significant amounts at around £94, presumably reckoning that they will now be able to go to the Government Broker and square their books at a lower level. If the Government Broker decides that the right level to drop the tap price to in order to stimulate big demand is much less than £94 the jobbers will make fat profits and there will be some very unhappy brokers.

Over on the equity pitches clearing bank shares did not respond to the prospect of yet higher base rates, with inter-bank rates rising to over 12 per cent. This prospect, naturally, took its toll of property shares, but in general the equity market moved quite narrowly. The question is whether there will yet be any sign of a chink of light on the labour front or whether company profits must be sacrificed for the sake of the Government's lop-sided anti-inflation policy. The signs of bakers trickling back to work yesterday allowed a few crumbs of hope.

Sime Darby

The Sime Darby/Turquands Barton Mayhew affair just shows how messy things can get when auditors resort to their *rights to make representations* under the 1976 Companies Act. But at least in this case shareholders have benefited in that they now know much more about the circumstances surrounding the Board's *plan* to replace Turquands. For the Sime Board and Turquands, however, it has been very damaging.

Throughout the saga it has been evident that Turquands has been extremely concerned about the impact of the loss of the Sime audit on its reputation in the Far East—and possibly in the UK too. Its case has been that the Sime Board was being less than open in saying it wanted Price Waterhouse because of its size. This argument was borne out by last week's lengthy statement from the Board, with its criticisms of Turquands and the disclosure that the company has received notice that it has a *prima facie* case against Turquands for negligence and breach of statutory duty.

Nevertheless, the Sime Board is fully within its right in asking the shareholders to make a change in auditors. Doubts still remain about the full reasons for doing so, and the manner of the dismissal has been very clumsy. There is no reason to believe, however, that the Sime Darby Board will get an easier run from Price Waterhouse, and there is no fundamental issue here over which shareholders need to challenge their Board's decision.

Talks on letting 17 floors at Centre Point

By John Brennan, Property Correspondent

CENTRE POINT, London's best-known empty office block, may soon have 17 floors occupied. Talks are well advanced to let just over half of the 32-storey office tower in the West End at a rent about £8.50 a sq foot.

At the moment the only rental income from the building is the £40,000 a year received from AGELEF, a Greek shipping group which has been the lonely occupant of the building's fifth floor for the past three years.

The building, a hollow monument to the property boom since its completion by Mr. Harry Hyams' Oldham Estates in 1965, has been the subject of countless letting rumours.

But this time letting agents D. E. and J. Levy confirm that the 17 lower floors have been taken off the market and that "letting negotiations with a prospective tenant are well advanced."

Oldham Estates is now controlled by the Co-operative Insurance Society, and a letting would provide cover for an annual empty building rate charge of just under £900,000 on Centre Point.

Centre Point has become almost synonymous with the flamboyant decade of property developments. Since its completion the building, at the corner of Tottenham Court Road and Oxford Street, has been the target of countless political attacks.

It has been used in arguments for the introduction of legislation against empty commercial buildings; it has been threatened with compulsory purchase with nationalisation, with conversion into flats, and demolition.

It has also been invaded by squatters, and *alternatively* slated and praised by architectural critics. Now, perhaps, the London landmark will finally have some peace.

Property News, Page 34

U.S. raises steel import trigger prices by 7%

BY DAVID BUCHAN

WASHINGTON, Nov. 9.

THE U.S. TREASURY announced a 7 per cent rise to-day in trigger prices for major steel imports from January 1.

This increases the degree of U.S. protection for the steel industry from imports which must be sold at, or above, the trigger prices to avoid the possibility of dumping investigations by the Treasury.

Mr. Anthony Solomon, the Treasury Under-Secretary for Monetary Affairs, announcing the increase for the first quarter of next year said that some steel companies had given assurances they would abide by the new price guidelines in President Carter's anti-inflation programme.

These two announcements suggest that the U.S. Administration has used the trigger-price increase, made necessary by the rise in the yen against the dollar, to encourage the domestic steel industry to comply with the new pay guidelines.

Under the system, importers of steel selling in the U.S. below trigger prices are liable to a dumping investigation by the U.S. Treasury.

Trigger prices, introduced in full last May, are based on the production costs of the most efficient Japanese steel mills. In the last three months the fall of the dollar against the yen has increased these costs by 10 per cent in dollar terms.

Turnround hopes

But the Treasury, Mr. Solomon said, had raised the trigger prices for next year by only 7 per cent because of the very recent turn round of the dollar on the foreign exchanges, which he hoped would continue.

The latest increase, which follows smaller rises in the third and fourth quarters this year, will make it more difficult for foreign steel-producers to maintain their present American market share.

Mr. Solomon, anxious to assuage the import worries of domestic steel companies, was at pains today to claim that the system was working.

Imports as a percentage of total consumption had declined to 16.7 per cent in the May-Ceptember period this year, down from 19.1 per cent in the same period last year.

He said that imports from the European Community, very high in the summer, had fallen by 27 per cent from September to October.

For those imports produced by electric steel furnaces, trigger prices in the first quarter of 1970 will be increased by 9.8 per cent because they have a larger proportion of yen-denominated costs.

Need to step up North Sea oil search accepted by Minister

BY KEVIN DONE, ENERGY CORRESPONDENT

THE GOVERNMENT has accepted that the rate of exploration in the North Sea must be stepped up after the dramatic fall in activity this year.

Dr. Dickson Mabon, Minister for Energy, said yesterday that the reasons for the drop in exploration were under investigation with the oil companies, and would be discussed at a meeting of the Energy Commission on December 1. "We recognise there has got to be a step-up in the drilling of wells."

He dismissed as "nonsense" any claims from the oil industry that—irrespective of any tax increases—rates of return from North Sea developments were falling, and he accused some oil companies of trying to frighten Parliament into voting against the proposed increases in petroleum revenue tax next year.

He challenged oil companies to approach the Government for tax relief to develop marginal fields.

There were already provisions in existing legislation for the Government to relax royalty payments from marginal fields. But he promised that the matter would be reviewed again before the next Finance Bill.

Dr. Mabon was answering questions on a major report produced by the oil companies operating in the North Sea, which claims that exploration must be stepped up dramatically if Britain is to remain self-sufficient in crude oil through the 1990s.

The report by the UK Offshore Operators Association was published yesterday. It said that this production target would be achieved only if there were considerable changes in government North Sea oil policy, particularly in taxation, licensing and depletion controls, to encourage the development of marginal fields from 50m-150m barrels.

If the Government wanted the oil more than it wanted the taxes, it would be ready to give tax relief to the oil companies for marginal fields, Dr. Mabon said in an interview on BBC radio.

"But that has never happened. No one has ever gone below the line sufficiently for us to say we will give back some money. We have never done that, but it is quite possible. I would like to have a company come to *me* to test our bona fides on tax relief."

Feature Page 22
Energy Review, Page 8

Tachograph hearing next month

By Lynton McLain

THE EEC legal action against Britain for not introducing the tachograph to log lorry drivers' hours and mileage will be heard in Luxembourg early next month.

The EEC Commission decided to take the British Government to the European Court of Justice after Britain said this year that it was unable to introduce this EEC-backed legislation, at least for the time being.

The oral hearing before the court will take place on December 6, with judgment likely by early in the new year.

● Mr. Richard Burke, EEC Transport Commissioner, said in London yesterday that the European Parliament would consider this month proposals to give financial support to studies of a cross-channel link, either bridge or tunnel, and other ways of improving transport between member states.

Continued from Page 1

Lending rate

suffering would eventually have been more serious if the Government had not taken action.

The size of the increase in MLR is surprising because, although part of the rise merely represents a catching-up with money-market developments, the rest does *not.*

The action is not, for once, in response to obvious external or internal crisis pressures, even though sales of gilt-edged stock are likely to have slackened in recent weeks and sterling has been weak in the last few days.

The explanation for the move can probably be traced to the authorities' desire to forestall likely monetary pressures over the next few months.

In particular, the borrowing requirement may be higher from now onwards than earlier in the financial year, following, for example, the implementation next week of back-dated income tax cuts and the uprating of social security benefits.

Moreover, private-sector demand for bank loans may be stronger than in recent months because of the continued demand for funds associated with the economic upturn.

This has yet to show up fully in the statistics because of the distorting effect of the so-called corset controls on the bank's operations.

The rise in MLR was the sharpest since July 1973, and the first change in MLR since the initial credit-squeeze package of early June.

Christian Tyler writes: Yesterday's moves may sour the meeting of Ministers and TUC leaders today, when attempts will be made to reach final agreement on a statement about prices, pay and inflation.

John Elliott writes: The Confederation of British Industry was alarmed last night by the potential impact of higher interest rates on company profitability, and on investment and job prospects.

Sir John Methven, the director-general, said that the confederation was in favour of "sound monetary policies," but found the size of the increase in interest rates "most unwelcome at a time when profitability is so badly depressed."

Continued from Page 1

Home loans

of last week, lifting the base rate for lending by 1½ per cent to 11½ per cent. This put up the cost of overdrafts for blue-chip corporate customers to 12½ per cent, with other borrowers paying up to around 16 per cent.

At the same time, the banks raised their deposit rates, one of the most important sources of competition for the building societies, by 2 per cent to levels varying between 8½ and 9 per cent.

Yesterday's official decision was immediately reflected in the money markets. The cost of three-month interbank funds, one of the most relevant figures for the banks, jumped to nearly 12½ per cent against about 11½ per cent on the previous day.

If rates persist at this level, the banks will increase their overdraft rates, and may also consider rises in other areas such as personal loans and credit cards.

Weather

UK TODAY

DRY in S. and E. Some rain elsewhere. Rather warm.

England (except S.W.), Channel Is., I. of Man

Dry. Cloudy, but with bright intervals. Max. 15C (59F).

S.W. England, Wales

Cloudy, occasional rain. Max. 14C (57F).

Scotland, N. Ireland

Cloudy, rain at times. Max. 12C (54F).

Outlook: Showers spreading to E.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstrdm.	C	10	50	Madrid	C	13	55
Athens	S	15	59	Manchstr.	F	10	50
Bahrain	S	28	82	Melbourne	C	14	57
Barcelona	C	17	63	Mexico C.	S	25	77
Belfast	C	11	52	Milan	Fg	4	39
Belgrade	C	4	39	Montreal	S	10	50
Berlin	S	3	37	Moscow	R	2	36
Birmghm.	S	12	54	Munich	C	1	34
Bristol	S	13	55	Newcastle	F	12	54
Brussels	S	13	55	New York	S	15	59
Budapest	C	4	39	Oslo	C	12	54
B. Aires	C	20	68	Paris	F	5	41
Cairo	S	22	72	Perth	C	19	66
Cardiff	C	8	46	Prague	C	1	34
Chicago	S	12	54	Reykjavik	C	−1	30
Cologne	F	4	39	Rio de J'o	S	27	81
Copnhagn.	F	12	54	Rome	S	17	63
Dublin	F	13	55	Singapore	S	31	88
Edinbrgh.	F	13	55	Stockholm	S	11	52
Frankfurt	C	2	36	Strasbrg.	Fg	2	36
Geneva	C	5	41	Sydney	C	21	70
Glasgow	C	12	54	Tehran	S	12	54
Helsinki	C	7	45	Tel Aviv	F	20	68
H. Kong	S	25	77	Tokyo	C	21	70
Jo'burg	S	22	72	Toronto	S	10	50
Lisbon	C	15	59	Vienna	C	3	37
London	F	13	55	Warsaw	C	4	39
Luxembrg.	Fg	0	32	Zurich	C	2	36

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	S	15	59	I. of Man	S	12	54
Algiers	F	24	75	Istanbul	C	11	52
Biarritz	F	19	66	Jersey	S	16	61
Blackpool	F	12	54	Las Plms.	S	23	73
Bordeaux	S	17	63	Locarno	S	11	52
Boulogne	S	14	57	Majorca	S	20	68
Casablnca	S	21	70	Malaga	C	15	59
Cape Town	S	25	77	Malta	F	18	64
Corfu	S	17	63	Nairobi	S	23	73
Dubrovnik	F	17	63	Naples	S	15	59
Faro	C	17	63	Nice	S	17	63
Florence	S	11	52	Oporto	C	13	55
Funchal	C	19	66	Rhodes	S	20	68
Gibraltar	C	17	63	Salzburg	C	3	37
Guernsey	S	13	55	Tangier	F	21	70
Innsbruck	S	10	50	Tenerife	S	23	73
Inverness	C	12	54	Valencia	F	18	64
				Venice	S	12	54

S—Sunny. F—Fair. C—Cloudy. R—Rain. Fg—Fog.

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